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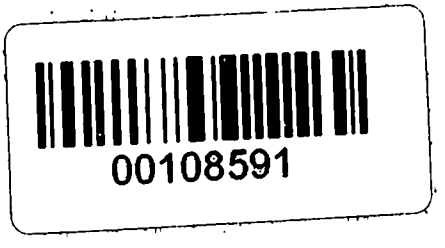

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COMMITTEE ON INDUSTRY AND TRADE.

SURVEY OF OVERSEAS MARKETS.

Based on material, mainly derived from official sources, with regard to the conditions prevailing in various overseas markets which affect British export trade, together with statistical and other information.

WITH AN INTRODUCTION BY THE COMMITTEE.

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COMMITTEE ON INDUSTRY AND TRADE.

INSTRUMENT OF APPOINTMENT.

Whereas it has been represented to me, the Right Honourable James Ramsay MacDonald, Prime Minister, First Lord of the Treasury and Secretary of State for Foreign Affairs, by the President of the Board of Trade, that it is desirable to inquire into the conditions and prospects of British industry and commerce, with special reference to the export trade;

Now I, therefore, do hereby appoint the following persons* to form a Committee to inquire into and report upon the aforesaid matters, and to make recommendations in regard thereto;

Sir ARTHUR BALFOUR, K.B.E. (*Chairman*).
Mr. JOHN BAKER.
*Sir WILLIAM BEVERIDGE, K.C.B.
Mr. HENRY BOOTHMAN.
Mr. J. T. BROWNLIE, C.B.E.
Mr. W. T. CHARTER.
Mr. C. T. CRAMP.
*Mr. HUGH DALTON, D.Sc.
Sir HARRY GOSCHEN, K.B.E.
Mrs. M. A. HAMILTON.
Mr. F. A. HARGREAVES.
Sir NORMAN HILL, Bart.
Sir JOHN S. HINDLEY.
Mr. DAVID LANDALE.
Sir W. CLARE LEES, O.B.E.
*Mr. P. J. PYBUS, C.B.E.
Mr. ARTHUR SHAW.
Sir ALLAN SMITH, K.B.E.
Sir HUBERT LLEWELLYN SMITH, G.C.B.

I further appoint Mr. W. Carter to be Secretary and Mr. A. R. Fraser and Mr. W. L. Buxton to be Assistant Secretaries to the said Committee.

(Signed) J. RAMSAY MACDONALD.

28th July, 1924.

*The members whose names are marked with an asterisk have since found it necessary to resign, and the following additional members have been appointed :—

Sir WILLIAM ASHLEY, Ph.D. (appointed 2nd December, 1924).
Sir W. PETER RYLANDS (appointed 30th April 1925).

MEMORANDUM ACCOMPANYING TERMS OF REFERENCE.

The scope of the terms of reference is regarded as being on the general lines set out in the three following paragraphs, which are intended as explanatory of the subjects on which investigation is specially desired and not as an exhaustive definition of the inquiry:—

"The first question to which the attention of the Committee should be directed is the present position of British overseas trade and the prospect of British participation in the markets of the world being such as to ensure sufficient and continuous employment and a satisfactory standard of living in this country. The examination of tendencies and developments in the markets of the world and also in the chief competing countries will be involved, together with an enquiry into the growth of competition with British goods in these markets, the likelihood of its continuance, and its probable consequences.

"The second question is the ability of British industry to meet competition under the conditions thus determined and to adapt itself to changes in the nature of overseas demand. This involves an inquiry into British productive capacity and organisation, including the supply and efficiency of capital, labour and management, the present and future adequacy of raw materials and possible improvements in their utilisation, and the part played by the United Kingdom in new developments of industry, particularly those which are the outcome of scientific research. Matters to which attention might be directed are the present extent of large-scale production, its possibilities and limitations; the efficiency of plant and equipment; power supply and transport as factors in cost of production; marketing organisation at home and abroad; and the current methods of industrial and commercial finance. It will be necessary, in addition, to take account of the effect of State regulative action upon costs and output.

"The third question is that of the relations between those engaged in production. This will involve inquiry into methods of industrial remuneration, the main causes of unrest and disputes, and the methods of avoidance or settlement of disputes, as, for example, co-partnership, co-operation, Wages Boards and voluntary arbitration, State regulation of wages, and compulsory arbitration and compulsory enforcement and extension of agreements."

New Public Offices,
Great George Street,
Westminster, S.W.1.

June, 1925.

The Rt. Hon. STANLEY BALDWIN, M.P.

SIR,

WE, the Committee appointed by your predecessor on 28th July, 1924, " to enquire into and report upon the conditions and prospects of British industry and commerce, with special reference to the export trade, and to make recommendations in regard thereto," beg to submit herewith, to be laid before Parliament, if so desired, a collection of surveys of Overseas Markets and other Memoranda and Statistical Tables containing information derived from official sources, with regard to certain aspects of our reference. In order to facilitate the study of this material we have prefixed to it a brief introductory summary and review.

We propose to submit from time to time, in advance of our final report, further collections of material bearing on different branches of the questions referred to us.

A. BALFOUR (*Chairman*).
WM. ASHLEY.
JOHN BAKER.
HENRY BOOTHMAN
J. T. BROWNLIE.
W. T. CHARTER.
C. T. CRAMP.
W. H. N. GOSCHEN.
MARY AGNES HAMILTON.
F. A. HARGREAVES.
NORMAN HILL.
JOHN S. HINDLEY.
DAVID LANDALE.
W. CLARE LEES.
W. PETER RYLANDS.
ARTHUR SHAW.
ALLAN M. SMITH.
H. LLEWELLYN SMITH.

W. CARTER (*Secretary*).
A. R. FRASER, (*Assistant*
W. L. BUXTON, *Secretaries*).

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INTRODUCTION.

The present volume is solely concerned with a survey of the principal Overseas markets for British exports, in order to ascertain the main factors *operating in those markets* by which the development of British export trade is or may be affected. Though internal and external conditions cannot be wholly kept apart, the present survey is not directly concerned with the factors affecting the efficiency and competitive power of British manufacturing and distributive enterprise, so far as these factors operate in Great Britain. Such questions as the growth of manufacturing costs, the efficiency of management, labour and equipment, the economic supply of raw materials, power and transport, or the maintenance of harmonious relations among the classes engaged in production, lie outside the scope of the present survey, and remain to be treated in other volumes.

Nor is it the primary purpose of this survey to formulate definite recommendations for action, since it is evident that recommendations could not properly be based on a partial study of one portion only of the vast field of inquiry included within our terms of reference. The present object is rather to assemble the facts and to summarise the main features of the situation and prospects of British trade in overseas markets, as disclosed by reports received from such markets, supplemented by statistical and other material available in Government Departments. If in some cases tentative results appeared to emerge from the study of this material, we have not hesitated to call attention to them. But any such conclusions must be regarded as provisional, and as strictly subsidiary to the main purpose of the present volume, which is to present a digest of the information available from official sources as to the position of British trade in overseas markets.

In view of the great range of our inquiries, it appears inevitable that a considerable time must elapse before our considered recommendations can be presented. In these circumstances it has seemed highly desirable to take an earlier opportunity of putting the public, and especially those interested in British commercial development, in possession of some of the information which we have accumulated.

The surveys of overseas markets (Chapter I) are chiefly based on material supplied to the Committee by the Department of Overseas Trade, and derived in the main from reports furnished

to that Department by officers of the commercial-diplomatic and consular services and by His Majesty's Trade Commissioners in the ordinary course of their duties. It has seemed to the Committee preferable to utilise this information to the utmost extent possible, rather than to initiate fresh inquiries *ad hoc* which would necessarily duplicate much of the information which is already available. The memoranda in Chapter III on certain aspects of commercial policy and relations, *e.g.*, commercial treaties, prohibitions, subsidies, etc., were furnished by the Board of Trade, who are also responsible for the statistical tables throughout the volume. For the use made of all this material, however, and especially for any comments on the facts contained in the surveys, memoranda and tables, and any summaries and interpretation of statistical data, the Committee take sole responsibility.

Before entering on the examination of the detailed surveys of overseas markets which form the bulk of the present volume, and attempting to draw any inferences from the result of that examination, there are some important preliminary questions of a general order which demand consideration. What has been the general trend of the world's trade since the war? How does its present magnitude compare with its magnitude in the years just preceding the war? And is the share of Great Britain in the aggregate world's trade an increasing, or a decreasing share?

The statistical tables on pages 636-70 furnish the material for a reply to these questions, so far at least as any definite reply can be given. If the period over which the comparison extends were a normal period of stable exchange and comparatively steady prices, the questions would present no serious difficulties. Unfortunately, in the present case, both these conditions are wanting; and the problem of measuring the changes in the aggregate trade of the world, or even in the trade of particular countries over a period marked by abnormally great and rapid changes in the prices of commodities, and also, in many countries, by violent fluctuations in the gold values of the currencies, is a problem of extraordinary complexity which hardly admits of a precise solution.

Nevertheless, some broad indications are afforded by the statistical data available, which may be sufficient as a basis for practical conclusions.

In 1913, the aggregate sterling value of the exports of the world was £4,035 millions.* In 1923 (the latest year for which figures for some of the countries can be obtained), the corresponding aggregate was £5,299 millions, an increase of 31 per cent. In the same two years the exports of the United Kingdom were valued at £525 millions and £743 millions respectively, an

* See Table 9, p. 667.

increase of 41 per cent. In other words, our proportion of the world's export trade (measured in sterling values) rose from 13 per cent. in 1913 to 14 per cent. in 1923.

A very similar result is reached if the calculation is made in a slightly different way. The sterling value of the aggregate imports of the world (excluding the United Kingdom) was, in 1913, £3,706 millions, and, in 1923, £4,742 millions. Thus, the proportion borne by the value of our exports to the aggregate value of the imports from all sources into other countries was, in 1913, 14·2 per cent. and, in 1923, 15·7 per cent.

Up to this point the results seem *prima facie* to be highly satisfactory. Measured in sterling values the world's trade has increased, and of this increased value a larger share appears to have fallen to the United Kingdom. Before, however, we can draw conclusions from a statistical position which seems so little consistent with the excessive unemployment which has persisted in this country for the last few years, there are several important considerations which have to be weighed.

In the first place, all the above figures are in terms of sterling values, and it is notorious that, during the period considered, there has been a great rise of the general level of prices, which makes sterling values (unless corrected for this rise) a very misleading measure of the real volume of trade. It is when we attempt to apply this corrective that the difficulties of exact measurement begin.

The Board of Trade index number of wholesale prices indicated a rise of about 59 per cent. in 1923 compared with 1913.† It is more difficult to state a percentage for the world as a whole, but we shall probably not be wrong in assuming a general rise of from 50 to 60 per cent. (or say 55 per cent.) in the world prices of commodities measured in sterling.

As the percentage rise in the value of the world's foreign trade has not been much more than one-half of the rise of prices, it is evident that there must have been a considerable shrinkage in the real volume of that trade, and it is further evident that the increased percentage of the world's trade which appears from the figures to fall to our share masks a real falling off in the total volume of goods exported from Great Britain. In order to measure this decline, and as a step towards a clearer appreciation of the true position, we have obtained from the Board of Trade the results of revaluing the external trade of the United Kingdom during recent years on the basis of the 1913 level of prices. The results of this recalculation are shown in table 2, page 638. It will be seen that for the year 1922 the volume of our exports thus calculated was only 68·9 per cent. of the 1913 volume. In 1923 the percentage* rose to 74·5 per cent., and in 1924 it has further risen to 75·5 per cent.

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* Adjusted for the change in the status of the Irish Free State.

† See Table 7, p. 664.

There is, however, reason to believe that these figures, taken by themselves, give somewhat too dark a picture of the recent and present trade position. Tables 1 and 2 combined show that the average increase shown in the price level of British exports is nearly 90 per cent., compared with about 50 per cent. in the case of imports. There is ground for belief that some part of this wide divergence is due to a shift of export trade towards the higher and more expensive qualities of goods, which could not be fully taken into account in the calculation. The reasons for this shift are referred to below (*see* p. 11). Exactly how much of the apparent rise is referable to this cause is difficult to estimate, but the available indications would seem to support the view that the true rise of the level of export prices has not exceeded 80 per cent. If the consequential modifications were made in the figures given above, we should find that the volume of our exports in 1923 was 79 per cent. of the 1913 volume, and that the corresponding figure for 1924 was 80 per cent. Meanwhile the volume of our imports in the same two years was 94·9 per cent. and 106·4 per cent., respectively, of the 1913 volume.*

Even after these allowances have been made, there remains a considerable excess in the rise of the price level of exports compared either with that of imports or with the general index number of wholesale prices. This excess can only be attributable to the fact that the selling prices of the manufactured goods which form the staple of our exports have risen faster than the prices of commodities in general. This excess suggests two reflections. First, it tends to check any over-sanguine conclusions which might be drawn from the fact that *measured in values* an increased percentage of the world's trade has fallen to our share, since it appears probable that this increase is at least partly due to a disproportionate rise of price rather than to an expansion of volume. Secondly, it confirms the apprehensions which are widely entertained that a material factor in checking the recovery and expansion of the volume of our overseas trade is the great increase in productive and distributive costs, reflected in an abnormal increase of selling price.

It is the object of the present survey to ascertain more precisely how far, and in what markets, and in respect of what classes of goods, each of the tendencies noted above has, in fact, manifested

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* It is perhaps desirable to explain that the term "volume" is here used throughout in the sense of total *value corrected for changes of price*, and not of total quantity or weight. The actual weight of our exports is completely dominated by Coal and Coke, which in 1924 accounted for 64½ million tons, as compared with about 14 million tons of all other commodities combined, while the value was less than 10 per cent. of the total value of our exports. A figure of quantity made up by adding together the weights of articles of such very different values would be meaningless in relation to the measurement of our foreign trade. It has, however, a very important significance in relation to shipping and rail transport, where the weight or bulk of goods carried is of primary importance

itself, leaving to further volumes the still harder task of endeavouring to trace back to their ultimate causes the increased cost, and other difficulties, which obstruct the recovery of our exports; to measure, so far as the available data permit, the relative importance of each of the contributing factors; and to separate those factors which are in their nature permanent and irremovable from those which are transitory, or capable of control.

If it could be said that British trade is not only holding its own in comparison with that of other countries, but is sufficient in volume to provide full employment for the population of the United Kingdom, we might regard the fluctuations of particular overseas markets with comparative complacency, except in so far as a serious falling off in any particular market might be an index of some future danger to the maintenance of our general trade position. Given that we were exporting up to the limit of our producing capacity, changes in the local distribution of our exports would be a matter of secondary interest from a national point of view.

That this comfortable position is far from having been reached is plainly shown, not only by the statistical indications of the deficiency in the volume of our exports compared with pre-war times, but also by the large number of workpeople in the United Kingdom unable to obtain employment.

It is, therefore, of the highest importance to scrutinise each group of markets, and to estimate the weight of the various factors which in the case of each group are mainly responsible for obstructing the recovery and development of British trade with those markets. This scrutiny will be facilitated by a close study of the surveys themselves, and also of table 4, pages 656-61, which shows for each overseas market separately the percentage of total imports which was derived from the United Kingdom in 1913 and 1923, and also, side by side with these figures, the percentage of the total British exports which in the same years was destined for that market.

It is evident that if statistics disclose a serious falling off in British exports to a particular market (other than a merely casual decline due to transitory and superficial conditions), the observed falling off must be due to one or more of three main groups of causes:—

I. decline of purchasing power of the local population;
II. growth of local manufacture;
III. displacement of British imports by imports from other sources.

Frequently an observed decline is due to a combination of all these causes, and they are sometimes so inter-connected that it is difficult to estimate precisely the relative importance of each. An illustration may, however, be given, in which the statistical data happen to be sufficiently complete to enable the different factors to be measured separately.

The exports of British cotton piece goods to India declined by 57 per cent. between 1913 and 1923. The statistics given on pages 288-90 show the movement of Indian imports and home production over the same period, together with the percentages of imports derived from the United Kingdom at the two dates. These data are sufficient to enable a rough calculation to be made of the relative extent to which the decline of consumption, increase of home production, and keener foreign competition have contributed to the aggregate decrease of British exports of cotton piece goods to India. The result is to show that, in this particular case, about three-fifths of the total decline is to be attributed to diminished consumption, about a quarter to increased local production, and about one-seventh to increased foreign competition.* It is, of course, only in exceptional cases that all the requisite data for such an estimate are available, information as to the magnitude of local manufacture being frequently wanting, or out of date. Another illustrative example, may, however, be taken from the export of pig iron. In 1923, our exports of pig iron to France, Italy and Japan showed decreases, compared with 1913, of 63, 38, and 87 per cent., respectively. The relative importance of the various factors in the decline was, however, totally different in the three markets. In the case of France, the predominant cause was increase of local production (owing to the recovery of Alsace-Lorraine); in Italy, decline of local consumption; and in Japan, the competition of imports from other sources (*i.e.*, from China and India).

Of course, the three main groups of causes above referred to are themselves highly complex, being the results of a combination of factors varying in character and relative importance in relation to each class of commodities or markets. Each of these groups of causes therefore demands separate consideration in greater detail.

I.—DECLINE OF PURCHASING POWER.

In the years immediately following the war, this factor was perhaps of predominant weight, and it still retains considerable, though decreasing, importance. The war left the world much poorer, both by the immense destruction of man-power and capital, and by the physical or economic devastation of large areas. It completely deranged the finances of a large number of countries and gravely impaired the working of the mechanism of credit on which the operations of modern trade rely. At the

* These figures take no account of native handwoven goods, the production of which declined seriously between 1913 and 1923. If this had been taken into account, four-fifths of the decline of British imports would be found to be due to decreased consumption, and only about 6 per cent. to growth of local production. It should be added that the figures available for six months of 1924 show a revival both of consumption and local production and also of British imports, which were only about 48 per cent., instead of 57 per cent. below the 1913 level.

same time, the large alterations in political frontiers which resulted from the war settlement disorganised the economic conditions of a considerable part of Europe. Deficiency of capital and credit, and the temporary impairment of the will to work due to " war weariness " and general unrest, were factors very unfavourable to economic recovery. The reduced purchasing power consequent on the unstable conditions and poverty prevailing in the countries most directly affected by the war reacted powerfully on the economic situation both of the overseas countries from which, before the war, they had drawn essential supplies of materials and food, as well as of the industrial countries, like Great Britain, for which they had previously been important markets for manufactured goods. Those overseas countries, cut off from some of the former markets for their produce, were in turn compelled to curtail their own purchases of manufactures from abroad, and especially from this country. Thus the reduced purchasing power of the disorganised countries of Europe spread rapidly and inevitably, though with diminished intensity, over the whole of the commercial world, *i.e.*, to all countries dependent to a substantial extent on import and export trade.

It is unnecessary to dwell at length on a phenomenon which has been a natural legacy of the great war, and which, during the transition period through which the world has since been passing, has been one of the most marked features of the general economic situation. As the factor of impaired power of consumption has been present in greater or less intensity in all countries, so its influence in checking international commerce has been general, rather than confined to the commerce of any particular country But, naturally, those countries which, like Great Britain, depend most on the maintenance of their exports have felt most keenly the resulting decline of demand. Although, so far as can be judged, there has been no decline in the purchasing power of the population of Great Britain which is comparable in extent with that experienced in some of our principal overseas markets, yet the very high degree to which our population is supported by manufacture for export renders it especially sensitive to any falling off in the capacity of external customers to absorb manufactures; so that a decline in British exports, though it were no greater or even somewhat less than the decline in the exports of other countries, must have a far greater positive effect on the prosperity of our population. The decline of purchasing power may be reflected not only in a decline in the actual volume of exports, but, in some branches at least, in a shift of demand from the more expensive to the less costly classes of goods. The latter element, however, is extremely difficult to measure, since it is obscured, and sometimes more than offset, by the important counter-tendency towards local manufacture of the commoner grades of goods, which is gradually driving international trade towards specialities and higher qualities. This aspect of the question will be best discussed under the next heading of this Memorandum (*see* p. 11).

Broadly speaking, the markets in which the decline of purchasing power has been most noticeable are the countries of central and eastern Europe and of the near and far East. In the case of central Europe, one of the principal contributory causes has been financial dislocation and the disorganisation of currency and exchange. In the great Eastern markets such as India and China, the narrowing of the European outlets for the export of native produce, combined with internal conditions of political unrest or disturbance, have undoubtedly diminished the purchasing power of their vast but comparatively poor populations. The political conditions prevailing in Russia have of course been highly detrimental to foreign trade, and the power of the great mass of the Russian population to purchase imported goods has for the time been greatly reduced. It may be added that the various measures discussed in a later part of this Memorandum which are primarily intended to encourage the growth of home industry by keeping out competing imports (including import tariffs, prohibitions, customs formalities and other impediments) may also contribute in greater or less measure to the decline in the world's purchasing power, in so far as they may tend to raise the cost of commodities beyond the means of the mass of consumers.

Another kindred but slightly different cause, which undoubtedly had a very detrimental influence on British trade with overseas markets during the period of rapidly falling and fluctuating prices which began in 1920, was the temporary reduction in the *will* (as distinct from the power) to purchase, arising from a general expectation that prices would fall still further. The depressing effect on trade of falling prices is well known, but, in the period above mentioned, the almost unprecedented magnitude and rapidity of the fall produced a corresponding effect on the demand for goods. For some time there was a widespread tendency to limit purchases to the minimum necessary to fill immediate needs, and to hold up big forward contracts as long as possible. As the fall of prices slowed down this tendency decreased, and the arrears of orders which then materialised contributed not a little to the increased volume of British exports in 1922, which was the first symptom of reviving trade.

While the *will* to purchase has thus for the time been to some extent restored, considerable advance has also been made towards the recovery of the world's purchasing power, except, perhaps, in countries like China or Mexico, where political conditions remain unsettled. A complete recovery, however, can only be looked for when the political and financial conditions of the chief consuming and producing countries are definitely stabilised. At present a serious obstacle to the recovery of certain markets is the continued lack of commercial confidence resulting in the restriction of the terms of credit on which business can be done

The future development of British trade and industry is intimately bound up with the general restoration of the economic health and prosperity of the countries with which we trade. To promote the restoration of that general economic health, rather than to cripple the power of particular competitors by impeding their recovery, should be the immediate object of British commercial policy.

II.—GROWTH OF LOCAL MANUFACTURE.

Taking the world as a whole, the widespread development of home manufactures to meet needs formerly supplied by imported goods is by general consent one of the outstanding features of the post-war economic situation, and this is perhaps the most important permanent factor tending either to limit the volume or to modify the character of British export trade.

In part, this tendency is a natural and universal one, inseparable from healthy economic progress, and dating from a period long before the war; but undoubtedly the tendency has been stimulated by war conditions and necessities. The cutting off of usual sources of supply, and the abnormal demand for certain classes of products for war purposes, compelled many countries, including Great Britain, to embark on the manufacture of goods in respect of which they had hitherto been dependent on import. In some cases, the discovery of the extent of that previous dependence caused a deep feeling of uneasiness, especially when the articles in question were considered essential to national security, or to the successful carrying on of staple industries on which large sections of the population depended for employment. Hence, when the return of peace conditions led to the demobilisation of war industries, there was in many countries an effort to preserve certain of the industries which had been established or greatly expanded during the war—an effort based either on reasons of national security or vital interest, or on more general grounds of commercial policy. Not only had local vested interests grown up, during the abnormal period of interrupted intercourse, which naturally clamoured for support, but not infrequently industries improvised under pressure of the emergency were found to have struck root and to show capacity for permanent maintenance and growth, with or without the shelter of a tariff or other safeguard.

Naturally, the progress of industrial demobilisation during the last few years has had the effect of destroying or greatly curtailing a large number of emergency industries throughout the world, which were wholly or mainly devoted to supply war shortages and which could never expect to be self-supporting under peace conditions. This "shaking out" is by no means yet complete, and in certain trades (notably iron and steel, engineering and shipbuilding) the world is still burdened with an economic surplus of plant, some doubtless obsolescent, which is beyond its immediate requirements. This is probably a not unimportant factor in the high rate of unemployment which persists in those

industries. But when the transitional process of industrial demobilisation is complete, there will almost certainly remain a large permanent increase in the volume of local industries in certain countries which, up to the war, were largely dependent for the product of those industries on importation. Many examples of this phenomenon will be found in the surveys of different markets which are contained in the present volume. Only a few illustrations can be given here.

In several British Dominions the tendency to foster local manufacture of goods has undoubtedly been strengthened by the experience of war. In Canada there has been a remarkable growth of manufactures; while in Australia great efforts are being made to develop industries, and in particular woollen manufacture. In India, which previously depended on importation for most kinds of industrial products, the war called into being a number of industries to supply the gap caused by the cutting off of former sources of supply. The movement towards industrialisation has since been reinforced by nationalistic sentiment and fostered in various ways by governmental action; and, whatever set-backs it may receive in the future, the tendency to develop home industries has undoubtedly come to stay. In South America, Brazil has developed a number of industries (including textiles and boots and shoes), the annual value of the products being estimated in the Survey at £45 million.* In Argentina the volume of industrial production is estimated to be from two to three times the pre-war output†. In Chile it is stated that "in almost every branch of industry attempts are being made, usually with success, to produce in the country goods that have hitherto been imported." Among the examples mentioned are cement, where the growth of the local industry has reduced imports from 144,000 tons to 34,000 tons, and wire nails, the imports of which are now entirely displaced by home manufactures.‡ The growth of lignite production in Germany, and the development of hydro-electric power to which attention is called in several of the surveys, have both tended to displace coal formerly imported into certain markets.

It is impossible, in the absence of general production statistics, to estimate the total increase of manufacturing industries which has taken place since the beginning of the war in countries in which such manufacture had previously been comparatively undeveloped, but the general tendency may be illustrated by the following figures with regard to certain industries and countries. The number of cotton spindles in Japan, China, India and Brazil in 1913 was about 10 millions; by 1924 the number had risen to nearly 18 millions. Between 1913 and 1922 the number of cotton power looms in India and Japan rose from 120,000 to 200,000. The annual production of steel just before the war in Japan, China, India and Australia was 360,000 tons. In 1922 it was 858,000 tons.

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* p. 473. † p. 467. ‡ p. 480.

Although in individual cases industries artificially encouraged may fail, it is impossible to expect that the general tendency towards the growth of local manufacture will be reversed or slow down, inasmuch as it is based on the inevitable desire of progressive countries to achieve some degree of diversification in their industries, and not to remain entirely dependent on the production of food and raw materials. The impulse given by the war did but reinforce this tendency and open men's eyes to possibilities of local development which it might otherwise have taken years to discover.

The most obvious and immediate effect on British trade, and on international trade in general, is, of course, a restrictive one. Goods that formerly found a ready sale in a particular market are now wholly or partially excluded by the competition of the locally produced article under the protection of an import tariff. If this were the whole story, the future of British overseas trade would indeed be a gloomy one. But there are certain partial compensations which, though less immediate and evident, may in the long run be of great importance to British traders, provided always that their methods and organisation are sufficiently flexible to be capable of adaptation to new and varying conditions and opportunities.

In the first place, the new local manufactures are, generally speaking, concerned at the outset with the simpler and coarser classes of goods, and the immediate result is not only to restrict international commerce, but to drive it more and more on to the finer qualities of manufacture. We have already called attention to this factor as affecting the valuation of British exports, and there is little doubt that it has had an appreciable, though probably less marked, influence on the scale of values of manufactures exported by our chief competitors. It follows that, while the total volume of international trade open to competition may be diminished, there is a probability that an increased share of what remains will be captured by the exporting country most capable of adapting its production to special qualities of goods. At present we find that the reputation of this country in most markets for quality of goods stands high compared with that of its competitors. The difficulties met with by British trade in competition with other export countries arise much more from questions of comparative cost than of comparative quality. Any tendency for competition to develop on the basis of quality should, therefore, *prima facie* be beneficial to us, if, under the head of quality, we include all that makes an article suitable to its purpose and attractive to the intended purchaser, and do not merely measure it by the standard of what is, or has been in the past, most approved in this country. Here, however, we touch on an aspect of industrial and commercial efficiency which must be reserved for treatment elsewhere.

It is, of course, unlikely that any compensation of the kind indicated above would of itself be sufficient to counterbalance the decline in external demand for the commoner grades of goods.

The second compensation is more indirect and distant, but may nevertheless be very important in the long run. New industries create new wants for plant and materials, and, though this demand cannot of itself be sufficient to counterbalance the loss of the market for the goods themselves, we have also to take into account the demand resulting from the increased purchasing power of those for whom the local industries provide employment. Part of this purchasing power will almost inevitably be expended directly or indirectly, on foreign goods. Whether or not the product of the new industries is itself exported, it tends as a rule to give rise in the long run to a new demand for imports either on the part of the same or of some other country. For example, concurrently with the development of a huge manufacturing power in the United States, the growth of export of wheat and meat from that country has been checked, owing to the increased home demand and the faster growth of the industrial than of the agricultural population. The effects of the whole development on international trade have, of course, been very complex, but there are two outstanding features. First, the great increase of wealth derived from industry has given rise to a luxury demand almost irrespective of price, which enables certain classes of high grade British goods to surmount even the present high tariff wall. Secondly, the slowing down of U.S.A. exports of wheat and meat has stimulated the growth of export of these foodstuffs from British Dominions and South America, and thus helped to maintain, or to increase, the demand of those countries for manufactures in which British goods predominate.

A consideration of cardinal importance in this connection is that the capacity of overseas markets to absorb imports of manufactured goods is strictly limited by the outlets which are available for the exports of their local produce. Conversely, Great Britain's capacity to absorb imports of food and raw materials is conditioned by its ability to find markets for its manufactures. Although, under modern conditions of trade, it does not necessarily follow that the countries which buy the produce of overseas countries will export an equivalent amount of goods directly to the same markets, it is clear that, other things being equal, a country like Great Britain, which is one of the greatest consumers of imported materials and foodstuffs, must be in a relatively strong position for securing a full share of the export of manufactures by which payment for these materials and foodstuffs is made.

To the individual trader who has habitually exported a particular class of goods to a particular market, and to all those who have specialised in the production of these goods, it may appear somewhat cold comfort to be reminded that the loss of this market may in the long run be offset by fresh developments of trade in other articles to other markets, from which they personally are by no means certain to benefit. It is only when the problem is looked at broadly from a national point of view that the importance of the compensations is fully apparent; and, even from this

point of view, the temporary loss and suffering entailed by industrial transition must not be lost sight of.

The practical lessons to be drawn by the trading community from the surveys of overseas markets are plain. The widespread growth of local manufacture has come to stay, and is likely to develop. It does not necessarily follow that international trade as a whole will shrink, but its local distribution will necessarily be affected. Concurrently with this geographical re-arrangement, there will probably be a continuous trend or shift towards the importation of the higher qualities or more distinctive classes of goods, *i.e.*, towards goods the production of which depends on special skill or local conditions. This double re-adjustment is bound to make great and increasing demands on the foresight, intelligence and adaptability of those concerned in overseas export trade, and the future of British commerce will depend in no small degree on the capacity of British manufacturers and traders to understand and react to these changing conditions. A discussion of the factors determining that capacity, and of the whole problem of industrial and commercial efficiency, falls outside the scope of the survey of overseas markets to which the present volume is confined.

While the continuance of the present tendency to develop national manufactures must be taken for granted, British traders are deeply interested in the character of the measures by which that development is sought to be obtained. Broadly speaking there are four classes of measures by which different countries endeavour to give an advantage to the products of home industry as compared with imported goods :

(*a*) Customs tariffs,
(*b*) prohibitions or restrictions, with or without a system of licences,
(*c*) special privileges, concessions, or subsidies to local industry,
(*d*) state control or monopoly.

As these various expedients have very different effects on international trade, we proceed to deal briefly with each of them in order.

(a) *Customs Tariffs.*—It is natural to consider first the effect of overseas Customs tariffs on British trade, because this method of encouraging home industry is much more widespread and firmly established than any other, and also because there is a general belief that the increase of tariffs since the war has played an important part in checking the recovery of our export trade.

That tariff barriers are an important obstacle to the flow of international trade is a proposition too obvious to require detailed proof. Though, however, it is easy to give illustrations of the damage caused by tariffs to British trade in particular commodities with particular markets, it is not possible by statistical methods to make any precise estimate of the aggregate effect of tariffs in diminishing our external trade as a whole. A mere calculation of

the average rates of duty applicable to our exports on importation into the various markets of the world would have little meaning apart from a knowledge, not only of the volume of trade passing at the various rates, but also of the trade which would have passed but for their obstruction. Information on the latter point is obviously impossible to obtain, and, even were it obtainable, the picture would still be incomplete unless allowance could be made for the indirect effect of tariffs in causing trade to flow into new channels. If we cannot estimate statistically the total obstruction offered by tariff barriers to British trade, it is clear that, in the aggregate, it is very great. There is, however, one aspect of tariff incidence which is of considerable interest in connection with our present enquiry, and which admits of some kind of approximate measurement. We refer to the question already mentioned whether the present level of overseas Customs tariffs is so much higher than before the war as to warrant the presumption that the rise has been a serious factor in retarding the recovery of our export trade. As it is impracticable to follow the incidence of all tariffs on all articles of trade, we have endeavoured to obtain some answer to the problem by the method of index numbers. A limited number of typical articles have been selected in each of the great groups of trades which we have chosen for special examination*. For each article we have ascertained the import duties applicable in 1914 and 1924 in each of the overseas countries which at the former date were the most important markets for that article. The results are set out in the table in Chapter II, pages 555-85, and the note on page 539 explains in detail the devices which have been employed in order to reduce the duties to a common denominator and to apply to them various methods of grouping and averaging.

A study of the table and note in question will make it clear that, given the nature of the material available and the very wide range of diversity in the movements of tariff rates on particular articles in different markets, any general estimate based on averages can only be regarded as a very rough approximation, and must only be employed with important qualifications. Subject to this caution, it may be stated that the average increase of tariffs on the articles selected as representative, *i.e.*, the increase of charge expressed in terms of sterling per unit of product (not per unit of value), has not materially exceeded the average increase in value of the articles exported. In other words, the average "*ad valorem*" incidence of tariffs has not materially increased. In the very important textile group, the average increase in specific rates of duty appears from the calculation to have been considerably less than the rise in the general level of the value of the products on which they were levied. In the metal group (iron and steel, engineering, etc.), the average increase of duty appears

* Coal, Iron and Steel, Engineering and Shipbuilding, Electrical Manufacturing, Cotton, Woollen, Chemicals and Clothing (including Boots and Shoes).

to have been somewhat, but not much, greater than the increase of value. Taken altogether, the average increase of import duties per unit of product has probably not exceeded 80 per cent.—a rise not more than sufficient to keep pace with the average rise of price level of the exports. It is a legitimate inference that, taking British trade as a whole, tariff increases since 1913 have not, so far, been an important factor in retarding recovery, though, as will be seen below, there is reason to fear that further increases are probable in the near future; while, in the event of a fall in prices, the *ad valorem* incidence of existing specific duties would, of course, be automatically raised.

A remarkable confirmation is afforded by an estimate of relative tariff incidence in different countries which has recently been made, quite independently, by the Board of Trade on a different basis, and of which the results have been communicated to the Committee since the above calculation was made.* The Board of Trade, following in the main the methods employed in the Memorandum on "The comparative incidence of Foreign and Colonial Import Tariffs on the principal classes of manufactures exported from the United Kingdom," published in 1904,† have calculated "index numbers" by which the average *ad valorem* incidence of the tariffs of various countries on British exports as a whole may be roughly compared. If the results be "weighted" in accordance with the relative importance of each market, the conclusion emerges that, taken as a whole, the *ad valorem* incidence of overseas tariffs on British goods has slightly declined since 1914, the average rise of tariff rates reduced to a "specific" basis being rather less than 70 per cent. The Board of Trade calculation brings out clearly the remarkable fact that the main increases of tariff rates on British exports have been within the British Empire, where the average *ad valorem* incidence has risen by nearly two-thirds, while in foreign countries, despite the great increase in the United States tariff, the average *ad valorem* incidence has decreased by one-fifth, the net result, on balance, being a slight decline, as stated above. As will be seen later, however, the disadvantage to British trade of the increased tariffs in overseas parts of the Empire has in several cases, but not in all, been offset by a concurrent increase in the preference accorded to British goods (*see* page 24).

It is also to be observed that the average incidence of Empire tariffs on British goods, even after the rise, is still materially lower than the average incidence of foreign tariffs, *i.e.*, roughly in the proportion of 10 to 17.

The conclusions arrived at above are, of course, quite consistent with the fact, which appears from the surveys, that, in certain countries (*e.g.*, United States, Italy, Argentina and Australia), the revised tariffs are in fact excluding particular classes of British goods, and restricting the importation of others. It is

* See p. 542.

† See "British and Foreign Trade and Industry" (Second Series) Cd. 2337, (p. 287), where the method is fully explained

also to be noted that there are at present signs that foreign tariffs may in the near future play a more important part in restricting trade than has been the case in the last few years, during which their influence has been over-shadowed by the much more powerful effects of customs prohibitions, combined with the disorganisation of exchange and transport resulting from the war. A number of countries are at present known to be engaged on tariff revision, sometimes with a view to offsetting the results of reducing or abolishing prohibitions or exchange control. In practically all cases the tendency of the revision will be to increase the rates of duty.

In speaking of the effects on British trade of the tariff barriers set up to foster national industries, it has been assumed above that the duties apply without discrimination or preference to the trade of our competitors as well as to our own trade. The effect of adverse discrimination, operating either directly through differential rates, or indirectly through classification and subdivision of tariff headings, is, generally speaking, more serious to British trade than the mere level of duties. The subject of differential treatment, however, is a matter which is more suitably dealt with under the heading of competition of other countries. (*Sec* below, p. 23.)

(b) *Prohibitions and Restrictions.*—While changes in the rates of Customs duty have not in most cases played an important part in retarding the recovery of British export trade, the same cannot be said of other forms of restriction and obstruction at Customs frontiers. The Note on "Import Restrictions in various European Countries," which appears on page 595, shows clearly what a wide extension there has been since pre-war times, of Customs prohibitions and restrictions, while the prevalent financial disorganisation has led several countries to introduce methods of exchange control which have offered an additional and harassing obstacle to the free flow of trade. Our general survey of markets, together with such evidence as has already been tendered to us, convinces us that in all ordinary times the system of Customs prohibitions subject to license is far more detrimental to trade than a Customs Tariff, even though the rates of duty are comparatively high. In particular, the licensing system introduces all kinds of delay and uncertainty, which are most harmful to commerce, while it affords a ready means of indirect and unacknowledged preference and discrimination which may go far to render nugatory any provisions of treaty or law for the accord of most-favoured-nation treatment. Moreover, a licensing system offers more opportunity for administrative manipulation than a Customs Tariff.

When we add that the political settlement following the war nearly doubled the number of independent Customs administrations in Central and Eastern Europe, and also that the administration of restrictions has been largely in the hands of comparatively new and inexperienced authorities, the burden thus imposed

on trade will be readily imagined. Where, as in the case of Soviet Russia, the system is administered as part of a general scheme to reserve foreign trade as a State monopoly, the results in checking commercial intercourse have been almost prohibitive. But far-reaching effects have also been exerted by the prohibitions, coupled with a licensing system, which have been a predominant feature of the post-war Customs régime of Germany, Czechoslovakia, Austria, Hungary and Switzerland, to mention no other States. We are far from ignoring the cogent reasons which led a number of States to attempt, during the period immediately following the war, to protect their exchanges, and to safeguard themselves against the real or imagined dangers arising from the financial or economic instability and policy of neighbouring States. Nor is it necessary for us to pronounce any opinion on the justification or efficacy of the measures taken during a period of abnormal crisis. We are solely concerned with the effects produced on British trade, and from this point of view we have no doubt that a material influence in checking the recovery of British export trade has been exerted by the artificial obstructions interposed at certain new and old Customs frontiers. We therefore rejoice to note that there is now a tendency to recognise the evil effects of Customs prohibitions as an instrument of fiscal policy, and to reduce the number of such prohibitions towards the minimum necessary to ensure public security, health and morals, and other objects of essential national importance.

For example, the Note shows that, since the latter part of 1923, great progress has been made in Czechoslovakia in removing restrictions, and that Hungary removed all her import restrictions at the beginning of 1925. The intention of Germany to sweep away the greater part of her prohibitions is expressed in the recent Anglo-German Treaty. In France, Italy, Poland, and a number of other foreign States few obstacles at present remain to British trade arising from import prohibitions. It is true that the tendency towards abolishing prohibitions has not infrequently been accompanied (as for example in Hungary) by a compensatory increase in Customs duties. This is a tendency which needs careful watching, lest the benefit to commerce of the abolition of prohibitions should be partly lost by a growth of fiscal protection. Nevertheless, we are convinced that, on balance, traders would prefer a system which permits their goods freely to enter overseas markets, subject only to a known and equally applied fiscal charge, to one under which their entry depends on official licensing.

So far as general declarations of policy are concerned, the system of prohibitions has been the object of continued authoritative condemnation by a series of International Conferences. The resolutions of the Brussels Financial Conference of 1920, the Porto Rosa Conference of 1921 and the Genoa Conference of 1922 all included strong recommendations for the reduction or discontinuance of Customs prohibitions, while a general

provision to the same effect appears in the Customs Formalities Convention concluded at Geneva in 1923.* We are informed that the possibility of a further international agreement aimed at removing this obstacle to trade is now being explored by the Economic Committee of the League of Nations.

Considering the weight and authority of the above recommendations, and also the tendency which is already apparent to reduce the scope of prohibitions, together with the greater stability of exchange which now prevails and which largely diminishes the reasons for their maintenance, we think that there are grounds for hope that good results may emerge from the present discussion.

Another cause of obstruction to trade which has greatly increased since pre-war times is the multiplication of Customs and other similar formalities. This is a direct legacy from the war, during which many kinds of formalities were necessarily introduced or increased. While each particular requirement may be of minor importance, the cumulative result has been a very appreciable hindrance to trade, especially when it is remembered that, as already stated, the number of separate Customs frontiers and administrations has greatly increased. The whole subject of the reduction and simplification of Customs formalities formed the subject of an important international Convention concluded at Geneva in 1923 under the auspices of the League of Nations.* We regret to note, however, that this admirable Convention, though signed by about 40 States, has only been ratified so far by a few of the Signatories. We consider that any influence which H.M. Government could exert to expedite the general ratification of the Convention would be highly beneficial to British trade.

(c) *Special Privileges, Concessions or Subsidies.*—Broadly speaking, the surveys of overseas markets do not suggest that there has been a serious and general increase since the war in the difficulties caused to British trade by direct Government subventions to local industries. The widespread impoverishment and financial weakness following the war, and the imperative need of public economy in order to restore exchange stability have effectively deterred most Governments from embarking on large schemes of direct subsidy. The attention of the Committee has, however, been called to a few recent schemes for the grant of special privileges to national industries, as for example, the Spanish Royal Decree of April 30th, 1924, a note on which is printed on page 628. It is too soon to say what effect this or other schemes of the kind will have in practice on British trade.

But the most important branch of British industry which has been affected by the grant of special privileges by foreign Governments to national enterprise is shipping. The Memorandum on page 605 gives detailed information as to the Treaty position in

* See p. 601.

regard to shipping and as to certain measures of discrimination adopted by various countries in recent years. Before the war, the recognised principle governing the practice of all the chief commercial countries was to treat foreign shipping on a footing of equality with home shipping, and not merely to treat all foreign countries alike in this respect. It is true that many countries have long made an exception of the coasting trade, and that the wide and indefinite extension of this term to cover long-distance ocean voyages tended even before the war to narrow substantially the application of the principle of "national" treatment. The effect, however, of the war has undoubtedly been to increase very greatly the tendency to derogate by various means and devices from the benefit which the commerce of the world derives from equality of treatment of shipping.

The intense nationalistic sentiment fostered by the war has led many countries to attach an increased importance, on grounds of national security, to the maintenance under their own flag of a mercantile marine adequate to carry a substantial part of their imports and exports. As in many cases this could only be achieved by artificial support, various devices have been adopted to give preferential treatment to national shipping.

Needless to say these tendencies are very injurious to international commerce by depriving exporters and importers of the power of free selection and economical utilisation of the transport agencies best suited to carry their goods. It seems possible that the gradual realisation by the countries concerned of the injury inflicted on their own commerce by the increased cost and diminished facilities which are the natural results of restricting transport to a single flag will, in time, cause a reaction towards the principle of equal treatment of all flags which prevailed before the war. There are, in fact, already some symptoms of such a reaction, of which perhaps the most remarkable example is afforded by the International Convention on Maritime Ports concluded at Geneva in December, 1923, and already signed by 25 countries.* This valuable Convention prohibits flag discrimination in foreign-going shipping, either as regards port charges and facilities, or by means of Customs duties or railway charges on the goods imported or exported through a maritime port. The hesitation, however, which has so far been shown to ratify this convention is an indication that the widespread desire for discrimination in favour of national shipping has not yet fully abated, though it is noteworthy that not only the representatives of shipping, but also most of the leading commercial organisations, including the International Chamber of Commerce, are now fully alive to the importance of equal treatment of shipping. Among recent devices to favour national shipping may be cited the increasing tendency to restrict the transport of emigrants to such ships, either directly or by the application of indirect means

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* See p. 612.

of discrimination. As the possibility of earning revenue from the carriage of emigrants is frequently a governing factor in determining ocean freights for the carriage of goods, it is evident that the tendency referred to above needs careful watching.

Besides the overt grant to national industries of privileges which are not shared by foreigners, there are various indirect methods by which British traders may be placed at a substantial disadvantage as compared with their local competitors. For example, in many countries the depreciation of the exchange has had the effect of discouraging imports by raising their price as compared with that of the products of local manufacture, while in some cases foreign trade has also been subject to an irksome form of exchange control. Another example of indirect discrimination, to which the attention of the Committee has been directed, is the failure of certain foreign countries to give adequate protection to foreign trade marks, names and other indications of the origin or commercial ownership of goods. This disability is particularly prejudicial in the case of articles which derive part of their value from the reputation of their maker, and hence it constitutes a special hardship for British trade, in which the element of good-will is of great importance. The Committee are glad to learn that the whole question of the better protection of international commerce against false markings and other forms of unfair and fraudulent competition is to be considered at the forthcoming Hague Conference for the revision of the Industrial Property Convention.

(d) *State Control or Monopoly.*—While the multiplication of state monopolies is of course detrimental to the free flow of international trade, the following surveys of overseas markets (other than Soviet Russia) do not indicate that British trade has been seriously affected by any abnormal increase in such monopolies during recent years. This is doubtless due in part to the fact that the staple articles of British export trade are not (with perhaps the exception of manufactured tobacco) among those which are most frequently the subject of monopolies.

Perhaps more important has been the tendency towards state trading and control which has manifested itself on a larger scale since the war, perhaps as a legacy from the stringent control necessarily exercised in war-time.

Here again the most important branch of trade enterprise affected is shipping. The number of countries operating or controlling commercial shipping has largely increased, and now includes Canada, Australia, United States of America, Belgium, Roumania and Soviet Russia.

Without entering into the merits or demerits of state trading as such, it is desirable to emphasise one point in which the state control of commercial shipping at present causes unfair prejudice to private enterprise. A state which enters into commercial operations appears to be entitled to claim immunity from many

fiscal and other liabilities to which its competitors are subject.* This matter did not escape notice when the peace treaties were negotiated, and each of these treaties provided expressly that the Governments of the ex-enemy countries should not, if they engaged in foreign trade, be entitled to claim any of the rights, privileges or immunities of sovereignty.† It is, however, evident that a provision of more general application is desirable, and the question has lately engaged the attention of the Brussels International Conference on Maritime Law, and was also the subject of a unanimous recommendation by the recent Imperial Economic Conference. A general agreement abolishing this very unfair form of discrimination would undoubtedly be beneficial to international trade.

III. DISPLACEMENT OF BRITISH IMPORTS BY IMPORTS FROM OTHER SOURCES.

In Sections I and II of this introduction, viz., those referring to decline of purchasing power and the growth of local manufacture, we have been dealing with marked and general tendencies, whether transitory or permanent, which date from or have been largely stimulated by the great war. As regards the third category, viz., the growth of competition from other exporting countries, there has been no such marked or general tendency. The effect of the war has, so far, been to strengthen some of our competitors and to weaken others; and we have already seen that the *net* result, on balance, of the changes in the decade 1913 to 1923 was to leave the relative position of Great Britain as an exporting country unimpaired and perhaps slightly improved. Germany disappeared during this period as a serious competitor; while France became a more serious factor in international trade, owing to its great increase of mineral wealth and manufacturing capacity resulting from the territorial changes, added to the improved position arising from the re-equipment on modern lines of the industries of the devastated districts, and to the temporary assistance of the impetus to export resulting from the depreciation of the franc. The comparative immunity of American industry from the direct effects of the war, combined with the enormous financial strength of the United States and the gradual attainment of control over industrial enterprises overseas, gave United States trade a much stronger position than before the war in certain markets, especially those of the American Continent.

On the other hand, Belgium, which, though a comparatively small country, is very highly industrialised, and more dependent on exports than any other Continental State, has not yet fully recovered its pre-war position in foreign trade, though the process of recovery has been rapid, especially in the case of iron and steel and other manufactured goods.

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* See Memorandum on p. 631. † See Treaty of Versailles, Article 281.

It is of some interest to trace statistically the relative changes which have taken place in the exporting power of the four countries referred to above. This is done in table 11, page 670, which gives the results of an attempt to revalue their exports in 1923 on the basis of 1913 prices. The table shows that, calculated on this basis, the exports of Germany in 1923 amounted only to about 53 per cent.,* and those of Belgium to 63 per cent., of the 1913 volume, while those of France had risen to 106 per cent., and those of the United States nearly 120 per cent. If the comparison be confined to manufactured goods, the percentages become 67, 90, 117, and 148 respectively.

If we look, not at percentages, but at the aggregate magnitude of the changes as measured in gold value on the basis of 1913 prices, we find that decreases of £238 millions in German, and of £54 millions in Belgian, exports were partially offset by increases of £98 millions for the United States and £17 millions for France, the *net* decline, on balance, being £145 millions, or about 12½ per cent. of the aggregate exports. A similar calculation, for manufactured goods only, shows that the increases for the United States and France (£105 millions and £30 millions respectively) rather more than counterbalanced the decreases of £113 millions for Germany and £7 millions for Belgium, the *net* result being a small increase, on balance, of £15 millions, or rather less than 2 per cent.

It is unnecessary to analyse in the same detail the upward and downward changes which have taken place in the export trade of other countries, but reference should be made to the growing competitive power of Italy in certain classes of textiles which form a large proportion of British exports. Though Japan has hardly maintained its relative position as an international competitor, it is still formidable in certain markets.

The special causes which have affected the competitive strength of particular countries will be found discussed in the surveys themselves, and it is unnecessary to recapitulate them here in detail. A very common factor has been the instability of exchange, the movements of which have, according to circumstances, exercised a stimulating or retarding influence on foreign trade. Thus, a country in which the exchange value of currency has fallen faster than its internal purchasing power has found itself hampered in the purchase of essential food and raw materials from abroad, while, on the other hand, its exports have enjoyed an indirect premium. A very important factor retarding general recovery of trade is the still acute shortage of capital, a direct consequence of the war. The very high rates payable for industrial capital in most countries on the continent of Europe act as a handicap on industrial development, and countervail, to

* In connection with these and other figures of international trade in 1923, the special conditions arising from the occupation of the Ruhr must be borne in mind.

some extent at least, the competitive advantage which these countries derive from lower cost of labour and exchange depreciation.

Some of the factors and tendencies alluded to above are likely to be permanent, or at least to operate for a long period, while others are in their nature transitory and evanescent. The stimulation of exports due to depreciation of currency cannot long outlast the period during which the process of depreciation is in progress, and it is already disappearing in the countries which have stabilised their exchange. On the other hand, the operation of the reparations settlement embodied in the Dawes Scheme and the London Agreement of 1924 is bound, if successful, to have far-reaching results on international trade; and the rehabilitation of German industry, which is a necessary prerequisite to the payment of substantial reparations, is likely to increase very greatly the severity of the competition which British trade must expect in future years from this source. We have already given reasons for the belief that, on a broad view of British trade interests, this country stands to gain from the economic rehabilitation of Central Europe. But it should be clearly understood that this belief is founded on the reasonable hope that British commerce will show the necessary power of adaptation to conditions which are certain to make greater demands on the intelligence and initiative of manufacturers and traders. More than this cannot safely be said, in advance of the detailed examination of all the relevant factors of the problem.

In speaking of relative competitive strength, it has so far been tacitly assumed that the different countries compete on equal terms in overseas markets. An important element in the question, therefore, remains to be examined, viz., the influence on British export trade of preferential advantages accorded to it or to its competitors by the countries of destination.

Broadly speaking, and subject to a few exceptions noted below, British trade stands at least on a footing of equality with its chief competitors in foreign markets, so far as concerns the Customs régime to which it is subjected.* The only important exceptions are afforded by the reciprocal agreement between the United States and Cuba, under which each state gives preferential treatment or free admission to the products of the other, and (until recently) the case of Brazil, where United States goods, and for a short period Belgian goods, obtained preferential treatment in virtue of special agreements. This preferential régime has now been practically abolished.†

There remain only the relatively unimportant markets of Haiti and Salvador in which certain foreign goods obtain a preference over British products. There are also certain cases in which neighbouring countries (*e.g.*, Spain and Portugal, or the Baltic States) reserve the right to accord to each other better tariff

* See Memorandum, p. 587.

† The only preference remaining applies to fresh fruit from American countries.

treatment than to other countries. Such arrangements are not uncommon in Latin America, but their influence on British export trade is very small.

On the other hand, British products receive better tariff treatment in France than those of many competing countries whose régime is less favourable to French goods. It is believed that no important commercial country except Great Britain enjoys the French minimum tariff in respect of the whole of its products. British trade also enjoys certain advantages in various other foreign markets, *e.g.*, Spain, where it is unaffected by the "depreciated currency" surtaxes levied on goods from a number of countries, and the United States, where British products are generally free from the higher duties levied on certain classes of goods when originating in countries which impose high duties on similar United States products.

Taking it all round, there is no doubt that British trade is treated at least as favourably in foreign markets as that of any other exporting country.

By far the most important markets, however, in which the exports of Great Britain obtain preferential treatment are those of the British Dominions and certain other overseas parts of the Empire. In all the self-governing Dominions except Newfoundland, and in a number of the Colonies, British exports enjoy preference to a varying extent, of which full particulars are given in the memorandum on page 549.* At present India, Newfoundland and a few Colonies do not grant any preference to British goods.

The amounts of these preferences are in general substantial, and they have increased materially since the war. Broadly speaking, in 1914 the preferential tariffs of the Dominions were on an average lower than their general tariffs by about 4 per cent. *ad valorem*. At the present time this preferential advantage has on the average been increased to 9 per cent. *ad valorem*. In the case of Australia and New Zealand, the increases of preference are no less than 8 per cent. and 8½ per cent. *ad valorem*. In the case of Canada the increase is 2½ per cent., while the level of preference in South Africa has remained practically unchanged.†

While it is difficult to obtain any exact statistical measure of the benefit to British trade of this preferential treatment, the surveys of British Dominion markets, and the statistics of the distribution of British trade‡ leave no room for doubt that the advantage has been substantial. The percentage of British exports taken by other parts of the British Empire rose from 37·3 before the war to 38·5 in 1924. If India and Newfoundland (which grant no preference) be omitted, we find that the percentage of British exports which were consigned to the remaining

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* See also p. 545.

† All statements in this Introduction refer to the position as at March 12, 1925.

‡ See Table 3, p. 640.

Empire markets showed a still more substantial rise, viz., from 23·7 to 26·2 per cent. of the total value of our export trade. This is not the place to formulate any definite conclusions with regard to Imperial Preference, the full discussion of which in all its bearings would clearly involve the consideration of difficult questions of general policy. It is sufficient here to note as facts that a large section of British trade is at present carried on with the countries within the Empire which to a greater or less extent accord preferential treatment to British goods, that, generally speaking, the *ad valorem* rates of the preferences have grown materially in recent years, and that, concurrently with this growth, the proportion of our export trade which is destined for these countries has substantially increased.

We may sum up very shortly the chief practical lessons to be derived from this survey of overseas markets.

The adverse forces which still operate in the markets themselves to retard the full recovery of British trade are in the main world-forces, which operate with equal intensity against the trade of other exporting countries.

Broadly speaking, and with minor local exceptions which do not appreciably affect the general situation, British trade is not at present suffering from adverse discrimination as compared with that of other exporting countries, but, on the contrary, it enjoys an equal position in all important foreign markets, together with a preferential position in Empire markets.

While, however, the main forces with which our trade has to contend are, so far as they arise in the overseas markets themselves, world-forces, their effects are felt with special acuteness by a country like Great Britain which depends so greatly on foreign trade to maintain the employment of its population.

Of the forces referred to, some are transitory, like the instability of exchange, the dearth of capital, the impaired purchasing power and the general financial and economic weakness of our customers, following the great war. The world is still poorer for the waste of war, and years of hard work will be necessary to re-establish its purchasing power. But, given peace and political stability, there is no reason to doubt that recovery will take place. It may also be hoped that such difficulties as arise from unwise measures restricting commercial, maritime or financial intercourse will, in the long run, be mitigated by international agreement, or by national action based on the teachings of experience. But other forces, like the growth of manufacture in the less industrially developed countries, undoubtedly represent permanent tendencies, with which traders must inevitably reckon in future, and to which it is, therefore, essential that they should strive with all their power to accommodate their outlook, their methods and their organisation.

As regards the possibility and methods of such accommodation, no definite conclusions can be arrived at solely from the study of

overseas markets. We need for this purpose to explore the whole field of commercial and industrial organisation and efficiency, including the relations among the classes engaged in production and distribution. This is a task reserved for future volumes.

In the meantime the Committee think that British manufacturers and exporters may find it of practical interest to give careful study to the surveys of overseas markets which are set out in the following pages, with a view to forming a judgment as to possible trade opportunities from which they might benefit.

Finally, the Committee wish to express their cordial thanks to the officers of the various departments of the Board of Trade and the Department of Overseas Trade who have furnished them with an immense amount of valuable information which has been of the greatest possible assistance to them in the preparation of the present volume.

12th March, 1925.

SURVEYS AND MEMORANDA.

Preliminary Notes.

(1) *Date.*—The surveys of markets and the other memoranda included in this volume were, for the most part, originally written in the autumn of 1924 for the Committee's information and not with publication in view. It has not been possible, nor was it considered necessary, to re-write them entirely for purposes of publication; but they have been partially revised on successive occasions, and later statistics or other particulars inserted where practicable. There has been little revision since putting in hand the work of carrying the volume through the press, which is necessarily somewhat lengthy.

(2) *General Arrangement of Surveys.*—The markets are discussed for the most part under the broad headings of "General," "Financial Stability," "Internal or Economic Development," "Industrial Policy," "External Trade," "Commercial Policy" and "Competitive Situation." Thus the principal financial and economic aspects of the trade situation are covered, but discussion of political matters has of necessity been excluded, and this limitation must be borne in mind in reading the surveys, as political questions are of substantial importance in many markets, and of first-class importance in some.

(3) *Comparisons with Pre-War Conditions.*—The comparisons of post-war with pre-war conditions which appear so frequently in the Surveys and elsewhere throughout the volume are not to be taken as necessarily implying that pre-war conditions are regarded as a standard to which it is either probable or desirable that post-war conditions should approximate. Pre-war conditions are, however, generally recognised as a convenient datum line for comparisons, and it is from this point of view that they have been used in the volume.

(4) *Definitions of Certain Terms.*—"*Balance of Trade.*"—The expressions "adverse balance of trade" and "favourable balance of trade" which appear in a number of the Surveys are used as conventional terms without any implications beyond their ordinary and well-understood meaning.

"*Special Trade*" *and* "*General Trade.*"—It will be noticed, in connection with the trade returns which are given at the beginning of each survey, that the phrases "special trade" and "general trade" are used in a good many cases. These phrases relate to the system employed, in countries not using what may be termed the "Anglo-Saxon" system, for recording imports and exports. Owing to differences in detail between countries, precise definition of these phrases is difficult; but their general meaning may be indicated as follows:—

> "Special trade" means, for imports, imports for home consumption, and for exports, exports of national (usually including also nationalised) produce. By "nationalised"

goods is generally understood merchandise released unconditionally (*ex* warehouse or not) on to the free internal market and re-exported therefrom. Generally, warehoused goods are not considered to be nationalised until delivered *ex* warehouse for home consumption; but the definition of nationalised goods and the effect of the definition vary in different countries.

"General trade" includes, in addition to special, or to most of the special trade*, some or all of the following: transit, transhipment, temporary, and certain improvement and warehousing trade; and the relative importance of these, *inter se*, and in relation to special trade, differs enormously in the different countries. Thus, in countries such as Belgium and the Netherlands, which lie across natural trade routes, the transit trade is considerable†; while in certain Central European countries improvement trade is highly developed.‡

The "Anglo-Saxon system of import and export statistics records what corresponds more or less to "general trade" (usually excluding transhipments, transit and temporary imports), *i.e.*, it gives "general imports" and "general exports," the latter usually being split into "exports of domestic produce" and "exports of foreign produce" (or "re-exports"). An approximation to the category of "special trade" may be arrived at by deducting the re-exports from the general imports, and showing for exports the exports of domestic produce only. The balance between the imports and exports thus derived is the same as the balance of "general" trade, buth the actual figures are reduced and consequently, also, the ratio between the imports and the exports is changed.

(5) *Trade Statistics.*—The following notes relate to the tables of trade statistics given at the beginning of each Survey in Chapter I.

(*a*) The values of imports into the United Kingdom which are given in the first section of each Table relate to *total* imports, including goods subsequently re-exported from the United Kingdom. (Figures of *net* imports are given in Table 3, Chapter IV.)

(*b*) The statistics given in the second section of each Table, which are taken from the trade returns of the country concerned, have been adjusted, wherever possible, to exclude Bullion and Specie and to include trade with the Irish Free State. The percentages of trade with the United Kingdom given in the same Table are based on these statistics. They will therefore be found to differ, to some extent, from the corresponding percentages given in Columns A and C of Table 4, Chapter IV, as these are based on statistics which are taken *direct* from the Foreign Trade Returns, and which therefore include Bullion and Specie (or Bullion only) where these items are not treated separately in the Returns. Occasionally, also, the figures on which Columns A and C of Table 4 are based may exclude trade with Ireland.

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* It is possible, but unusual, for special imports to exceed general imports in any one year.

† Proportion percentage which transmit constituted of general trade (approx.): Belgium, 36; France, 22; Germany, pre-war, 10, post-war, 30; Netherlands, 62; Switzerland, 34. The figures relate, in general, to the years 1921 and 1922.

‡ The Austro-Hungarian active improvement trade in 1913 was equivalent to about 3 per cent. of special imports and 8 per cent. of special exports, and represented an increase in value outwards over inwards of about 112 per cent.

CHAPTER I.

SURVEY OF PRINCIPAL FACTORS AFFECTING THE DEVELOPMENT OF BRITISH TRADE IN OVERSEAS MARKETS.

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GROUP 1.—WESTERN EUROPE.

NETHERLANDS.

	1899	1909	1920
Population ...	5,104,137	5,858,175	6,865,314

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1922. (£1,000.)	1923. (£1,000.)
U.K. exports to the Netherlands	8,179	15,429	34,558	29,499
U.K. re-exports to the Netherlands.	4,628	5,093	5,994	5,834
U.K. imports from the Netherlands.	16,365	23,578	34,146	37,061

Netherlands Trade Returns. Special Trade.	Official Values.		Declared Values.	
	1904. (1,000 florins.)	1913. (1,000 florins.)	1922. (1,000 florins.)	1923. (1,000 florins.)
Total imports	2,419,525	3,917,885	2,027,599	2,009,226
Imports from United Kingdom	252,748	340,776	323,859	308,698
Percentage from United Kingdom...	10·4%	8·7%	16·0%	15·4%
Total exports	1,985,587	3,082,985	1,221,231	1,303,221
Exports to United Kingdom ...	433,388	683,824	310,535	370,165
Percentage to United Kingdom...	21·8%	22·2%	25·4%	28·4%

Note.—The pre-war figures were based upon obsolete official values, and are not comparable with the post-war figures. The pre-war figures also include bullion and specie, which is excluded in 1922 and 1923.

Currency.—The unit of currency is the florin or gulden. The par rate of exchange is 12·1 florins = £1. The annual average rates of exchange during the past five years have been as follows :—

1920	10·76	1922	11·50
1921	11·43	1923	11·70
	1924	11·55	

1. GENERAL.

The Netherlands suffered seriously during the general depression following the post-war boom. The effects on finance were

severe, but through wise administration of public finance the stability of the florin was relatively maintained.

Thus, in 1923-24, the quotation on New York ranged between 2·46 and 2·71, parity being 2·48$\frac{3}{4}$.

It is impossible to ignore the effects on Holland of the occupation of the Rhine and the Ruhr, territory which constitutes the most important section of the Dutch hinterland. This influence was detrimental in the first place to the transit trade; consequently the Netherlands' two principal ports, Rotterdam and Amsterdam, suffered considerably, as their primary function is to cater for the trade of the industrial districts of Germany bordering the Rhine.

Secondly, the export trade of Dutch agricultural produce became unprofitable, at first owing to the rate of exchange and prices reigning in Germany and, later, owing to interruption of trade routes which prevented or delayed the transport of perishable goods. On the other hand, the temporary closing of the hinterland benefited many Dutch industries, which have steadily endeavoured to regain their old markets and have even opened out in new directions.

Since the introduction of the Dawes Scheme there have been definite signs of improved prospects for Dutch trade in general, and unemployment has declined by about 60 per cent. since 1923 in some of the districts most affected; but for the whole country the decrease in August, 1924, as compared with August, 1923, amounted to 26 per cent., the figures of unemployment for those two dates being 86,110 and 64,046.

2. FINANCE.

The funded debt and floating debt of the Netherlands were, in 1913, 1,156,000,000 florins and 19,000,000 florins respectively, while in 1923 they had risen to 2,745,000,000 florins and 838,000,000 florins. The population being approximately seven millions, the debt is equivalent to about 512 florins, or nearly £43, per head. The floating debt comprises, *inter alia*, loans and advances to the Dutch Colonies and to Germany, France and Belgium.

The estimated deficit on the Ordinary Service Budget for 1924 is 64,322,107 florins. In an endeavour to meet this deficit, it has been necessary to reorganise and reduce State Services, to reduce the total burden of official salaries, to remodel the financing of social insurance and to obtain additional sums from new taxation. The Government does not consider that the weight of direct taxation—which it realises is depressing conditions generally—can for the moment be in any way lightened. On the other hand, alterations in the fiscal programme may redistribute the burden more fairly, and it is the Government's expressed intention eventually to reduce direct taxation and to replace the revenue thus lost by indirect taxation on articles of

luxury. The tariff is in process of being reformed, but only in a fiscal, and not in a protective, sense.

The Ordinary Service Budget estimates for 1925 are as follows :—

	Florins.
Expenditure	605,260,027
Revenue	590,022,523
Deficit	15,237,504

These figures do not, however, take into account the full operation of the reduction of official salaries Allowing for this factor, and for increased revenue from the revised tariff, it is confidently expected that the deficit will entirely disappear.

It should be explained that, in addition to the above Ordinary Service figures, there are Extraordinary and Crisis Services for 1924 and an Extraordinary Service for 1925. The Crisis Service for 1925 is merged into the Ordinary Service. The figures for 1924 are as follows :—Extraordinary Expenditure, 113,729,420 florins; Extraordinary Revenue, 40,793,392 florins; Extraordinary Deficit, 72,936,028. Crisis Expenditure and Deficit are 5,666,456 florins, there being no revenue under this head. The deficit for Extraordinary and Crisis Services is 78,602,484 florins, and the total deficit on Ordinary, Extraordinary and Crisis Services is 140,692,594 florins. The estimates for Extraordinary Service in 1925 are :—Expenditure, 86,187,715 ; Revenue, 21,055,496; Deficit, 65,132,219 florins. Thus there is a total deficit on the Ordinary and Extraordinary Services for 1925 of 80,369,723 florins.

Extraordinary Expenditure is mainly of a non-recurrent or recoverable nature, and is accounted for under such heads as capital expenditure on the State Mines, the Fleet, the promotion of building under the Building Acts, Zuyder Zee reclamation funds, etc., while Extraordinary Revenue is derived from the repayment of advances under the Building Acts, and receipts from the State Mines and from the postal, telegraph and telephone Service.

The largest item in the Crisis Expenditure for 1924 is the sum of 4,000,000 florins for the provision of work or doles to unemployed.

In 1922 two rather serious bank failures occurred : these were followed in 1923 by a series of failures in small, unimportant provincial banks. The counteracting measures which were taken have largely had the desired effect of restoring confidence; but, in the meantime, especially towards the end of 1923 and the beginning of 1924, there were considerable fluctuations in the money rate Latterly the rate has varied only between 2 per cent and

3 per cent. for monthly bills, and between 2¼ per cent. and 3½ per cent. for private discount.

One of the largest banking concerns in Holland has recently had to reduce its capital and reserves by nearly 50 million florins. It is understood, however, that creditors will not suffer as a result.

3. ECONOMIC DEVELOPMENT.

3(a) Agriculture.—Census statistics show that between 1910 and 1921 the number of agricultural labourers decreased, but that there was a more than compensating increase in the number of agriculturalists and horticulturalists working on their own account. Nearly 90 per cent. of the total number of holdings consists of less than 20 hectares, or approximately 50 acres, while more than 50 per cent. comprises only from 1 to 5 hectares, or less than 12½ acres. Of the total area under cultivation in 1922, 902,266 hectares were arable land, 1,231,052 hectares grass and 96,095 hectares gardens and orchards. The importance of horticulture and fruit culture is shown by the following figures for the produce brought to auction, which represents practically the total produce of the country :—

	Fl.
1911	16,482,549
1913	18,966,446
1921	74,530,348
1922	54,675,332
1923	54,287,037

Apart from bulb growing and other branches of horticulture, the most important crops are potatoes, sugar-beet and flax, in all of which the area under cultivation is increasing.

During 1924 horticultural activity has greatly increased, owing to the renewed demand from Germany, and Dutch vegetable growers have had an exceptionally prosperous season.

This increased activity applies generally to agriculture. The following are the values in florins of exports from Holland of livestock and foodstuffs during the first half of 1923 and 1924 :—

	First half : 1923.	1924.
Livestock	7,378,957	20,292,176
Foodstuffs :		
(*a*) Raw or half manufactured	76,688,664	140,637,399
(*b*) Manufactured ...	150,316,293	207,783,222
Total	234,383,914	368,712,797
Increase ...	134,328,883 florins.	

3(b) Fisheries.—Fishing, both deep sea and coastal, has been in a depressed condition for some seasons, largely owing to the virtual closing of the German and Central European markets through depreciated exchanges, and of the U.S.A. market as a result of fiscal policy. Nevertheless, in 1923, the fishing year as a whole was, it is stated, better than the preceding one. The herring catch was much larger, and a better market was found for the salted produce, although neither quantities nor values reached the same levels as before the war. This improvement has been maintained in 1924, and, owing to the renewed demands from Germany, the herring fishery has again become profitable.

3(c) Mining.—The State prospecting service has recently been conducting boring operations for coal near the village of Winterswijk adjacent to the Westphalian frontier, where the borings have reached a depth of 1,287 meters, and a layer of first quality industrial coal of 1·70 meters thickness has been discovered. In all, seven coal beds suitable for exploitation have been struck, proving that this district is as rich in coal as the better areas in Westphalia.

During 1922 and 1923 the production of coal was on the increase, but, in spite of this, there were augmented imports from the United Kingdom. The imports and production of coal during 1923 are shown in the following figures :—

	Metric tons.
Total Imports	6,386,716
Imports from United Kingdom ...	4,368,271
Production (State Mines)	2,470,531

There is every reason to believe that the steady exploitation of the mines will be maintained.

3(d) Transport.—Schemes are in hand for the gradual electrification of the Dutch railways. An important section of the Rotterdam-Amsterdam route has now been converted, but it will not be in full electrical service for some months. For the transport of merchandise in Holland the railways are less important than the waterways, and important improvements in the latter are now being executed and considered. This especially applies to the improvement of the waterways to connect the Dutch coal mines with the chief industrial centres. Notwithstanding the bad roads, the new motor transport services seem to be able, at any rate for the more urgent class of goods, to compete with the waterborne traffic. By far the largest number of these services employ cheap American truck chassis, with either an ungainly superstructure for the carriage of passengers or light van bodies.

The effect of the movement is distinctly to the disadvantage of existing tram, railway and steamship companies with permanent

ways and material, the maintenance of which in a satisfactory condition is a statutory obligation.

3(e) Reclamation of the Zuyder Zee.—The preliminary work on the reclamation of the Zuyder Zee has been continued, efforts being concentrated on the tract between Wieringen and the mainland.

Boring has been continued in order to arrive at the most suitable position for the main dam, but no definite steps have been taken to begin this work, as conditions have changed since the original estimate was made. The most important factor in the whole matter is the state of the public finances, which at present are not considered able to bear a heavy charge without an adequate return.

4. COMMERCIAL AND INDUSTRIAL SITUATION.

Holland has always maintained a free trade policy. There has nevertheless recently been one important exception to this principle, in the restriction of the importation of footwear. As the measure is intended to restrict the importation of cheap footwear, mainly from Central Europe, it has not seriously affected British products. It is understood, in fact, that licences to import British footwear have only been refused on one or two occasions, and in these cases only the lowest quality of footwear was concerned. In any case the Importation of Footwear Restriction Act has recently been re-enacted in such a manner that it is temporarily out of operation, but power is vested in the Government to reimpose restrictions when in their opinion it is necessary to do so.

The reason for singling out this industry for protection was the fact that it is practically centred in one district where unemployment had become so acute that whole villages were receiving doles, and local rates could no longer be collected to pay them.

During 1923 a number of industries unsuccessfully endeavoured to secure protection, those most anxious to do so being situated in the Southern Provinces and including many *woollen* textile manufacturers. On the other hand, notwithstanding the fact that *cotton* textile manufacturers have not been able to produce at profitable prices, they are, on the whole, opposed to protection. It is understood that they have even had to market at far below cost price in order to keep their works going, but that hopes have been entertained that the revival of the Dutch East Indian trade would be of real help.

Dutch industries in general were able to resume activities sooner than was expected after the long period of stagnation due to war conditions. But, owing to the export prohibitions which were maintained by the Dutch Government to prevent the entire denudation of the country, the full benefit of the revival could

not be obtained. When, however, the restrictions were finally removed, industry began to find its level with some rapidity, and in some branches, such, for instance, as chemicals, Holland found herself able largely to supply the home market, where formerly she had relied almost entirely on imports from Germany and elsewhere. This period of prosperity was followed by another of great depression, from which Holland is only now showing definite signs of recovery.

Industries requiring an agricultural product for their raw material, *e.g.*, potato-flour and sugar factories, may be said to have flourished, the market for the finished product rising steadily.

Recent information indicates greatly increased activity in the artificial silk and electric incandescent bulb industries.

Several cases have occurred during the past year in which Dutch shipyards have successfully competed with British firms in contracts for ship repairs, or for the construction of new tonnage. It is understood that Government subsidies have played only a very unimportant part in this competition. There is no evidence to show that a general scheme of subsidies ever existed. The Dutch Government have never granted subsidies in respect of ship repairing, though grants have been made in a few cases in respect of the construction of new tonnage. It is understood that this practice has now been abandoned. The success of the Dutch yards is probably, therefore, due, either to their being willing to construct tonnage at a loss in order to remedy the depression in the industry, or to the lower cost of production in the Netherlands.

The latest branch of industry to be added to those already in existence is the Royal Netherlands Rolling Mills and Blast Furnace at Velsen, which has now been in operation for some months. The plant at present consists of two blast furnaces of American pattern with a capacity of 250 tons of pig-iron each per day, coke ovens on the Coppé system and a by-product plant for the production of tar, sulphate of ammonia and benzole.

Generally speaking, it may be said that the revival and expansion of Dutch industries do not add very greatly to the serious competition which Great Britain has to face, but they do create a demand for considerable quantities of raw materials and semi-manufactured articles which are imported from this country.

5. EXTERNAL TRADE DEVELOPMENT.

The movement of Dutch trade during 1922-23 is shown in the following table :—

Groups of Articles.	Imports.		Exports.	
	1922 (1,000 florins).	1923 (1,000 florins).	1922 (1,000 florins).	1923 (1,000 florins).
I. Live animals	3,061	2,912	45,046	18,410
II. Foodstuffs and beverages—				
(*a*) Raw and half-manufactured	351,934	366,340	192,624	189,367
(*b*) Manufactured	128,882	138,423	286,284	327,947
III. Raw materials and half-manufactured—				
(*a*) Animal produce ...	72,539	86,842	31,182	34,938
(*b*) Vegetable	392,566	407,218	117,724	119,365
(*c*) Mineral	246,282	263,342	62,958	90,814
IV. Manufactured articles ...	826,866	739,519	457,197	490,294
V. Gold and Silver	7,142	15,583	35,479	12,264
VI. Not otherwise classified ...	5,469	4,629	28,216	32,085
Total	2,034,741	2,024,808	1,256,710	1,315,484
Exclusive of Gold and Silver bullion and specie	2,027,599	2,009,226	1,221,231	1,303,221

Nearly three-quarters of the total trade of Holland—72·6 per cent. of imports and 76·9 per cent. of exports—is with the following six countries :—

	Imports from		Exports to	
	1922 (1,000 florins).	1923 (1,000 florins).	1922 (1,000 florins).	1923 (1,000 florins).
Germany	608,437	494,868	167,775	186,790
United Kingdom	323,859	308,698	310,535	370,165
Belgium	187,966	215,259	174,176	139,338
U.S.A.	270,799	256,017	62,094	69,452
Netherlands East Indies ...	102,373	114,184	127,382	110,851
France	57,290	68,744	114,525	126,115
All Countries	2,027,599	2,009,226	1,221,231	1,303,221

Great Britain was thus Holland's best customer and second largest supplier in 1923. Imports from Great Britain during the first half of 1924 were nearly 4,000,000 Fl. less than in the same period of 1923—150,280,000 Fl., compared with 154,120,000 Fl. The reduction in coal imports is responsible for the lower import figures; the former represented only 19,000,000 Fl., compared with 37,000,000 Fl. in the first half of 1923. The increased Dutch exports to Great Britain are almost entirely accounted for by one article, sugar. During the first half of 1924 Germany has replaced Great Britain as Holland's best customer.

For various reasons it is not possible definitely to determine the origin of the increased quantity of sugar exported from Holland to Great Britain. Sugar refining is extensively carried on in Holland, where a considerable quantity of the required raw beet sugar is produced. The remaining supplies of raw beet sugar originate mainly in Germany, Poland and Belgium, while raw cane sugar comes chiefly from Cuba and the Dominican Republic. In addition, a considerable quantity of refined sugar is imported into Holland from Germany and Poland.

As regards the total trade of Holland, the value of the total imports, exclusive of bullion and specie, in the first half of 1924 was 1,147,435,630 florins, as compared with 989,978,213 florins during the same period of 1923—an increase of 157,457,417 florins. The corresponding export figures are 756,694,654 florins and 592,061,393 florins respectively, showing an increase of 164,633,261 florins. The excess of imports over exports in the first half of 1924 was 390,740,976 florins, while the corresponding figure for 1923 was 397,916,820 florins. There is, therefore, a decrease in the adverse trade balance of 7,175,844 florins, on much larger totals.

6. COMPETITIVE SITUATION.

Roughly, the position before the war was that Great Britain dominated the Dutch market in certain vegetable oils, cotton and woollen yarns and piece goods, while Germany dominated the market in the iron and steel trade, chemicals and ready-made clothing.

The position now is much the same, but Great Britain, while improving her position in some respects, has to face additional competition in the iron and steel trade, especially from Belgium and France, who for a time largely filled the place which was temporarily lost by Germany during the occupation of the Ruhr, and have not yet lost their advantage. Belgium, and to a less degree France, have also become more serious competitors in other goods, such as textiles; France especially in cotton and woollen yarns and linen, and Belgium in clothing.

In motor cars Belgium is also an important competitor, being second only to the United States, while France, followed by the United States, is Great Britain's largest competitor in motor tyres.

Competition in other goods is indicated below.

Coal	Germany, Belgium.
Pipes and fittings ...	Germany, Belgium, United States of America.
Tools and implements ...	Germany, United States of America.
Copper and bronze semi products	Germany, Norway.
Wireless parts and apparatus	Germany.
Locomotives	Germany, Belgium.
Flax yarns	Belgium.
Linen cloth	Belgium.
Table linen	Germany.
Carpets	Germany.
Perfumery materials ...	Germany, France.
Sulphuric acid	Belgium.
Caustic soda	France.
High-class soaps	Germany, Austria.
Upper and sole leather ...	Germany.
Footwear	Germany, Czechoslovakia.
Haberdashery	Germany, France, Czechoslovakia.
Cement	Belgium, Germany.
China clay	Germany, Belgium.

BELGIUM.

	1900	1910	1920
Population ...	6,693,548	7,423,784	7,405,569

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1922. (£1,000.)	1923. (£1,000.)
U.K. exports to Belgium ...	7,859	13,240	25,032	25,234
U.K. re-exports to Belgium ...	4,371	7,421	10,648	10,219
U.K. imports from Belgium ...	16,740	23,382	23,618	27,476

Belgian Trade Returns. Special Trade.	1904. (1,000 francs.)	1913. (1,000 francs.)	1922. (1,000 francs.)	1923. (1,000 francs.)
Total imports	2,782,220	5,049,859	9,451,745	13,204,780
Imports from United Kingdom	335,404	518,544	1,403,309	2,212,308
Percentage from United Kingdom	12·1%	10·3%	14·8%	16·8%
Total exports	2,183,261	3,715,814	6,358,229	9,725,054
Exports to United Kingdom...	392,324	544,824	1,108,272	1,902,335
Percentage to United Kingdom	18·0%	14·7%	17·4%	19·6%

Note.—From 1st May, 1922, the figures relate to the Belgo-Luxemburg Economic Union.

Currency.—The unit of currency is the franc. The par rate of exchange is Frs. 25·22 to £1. The annual average rates of exchange during the past five years have been as follows :—

1920 ...	... 50·246	1922 ...	... 58·344
1921 ...	... 51·870	1923 ...	... 88·454
	1924 ...	... 96·173	

1. GENERAL AND FINANCIAL.

1(a) Financial Burdens and Capital Resources.—Before the war Belgium was in an extremely healthy commercial condition; she had been able to develop an export trade which placed her high in the list of trading nations and secured for her ample credit abroad. Much of the prosperity of the country's industry was due to the participation of foreign capital in her enterprises. Great Britain and France both had important interests in Belgian shipping, colonial and financial institutions; but by far the greater part of the foreign capital employed was German. German capital was particularly powerful in the metallurgical industry, notably in zinc, engineering and electrical enterprises. Many of these were mainly dependent on German support for the provision of their plant and raw material.

The whole finance of Belgium was disorganised by the war and, on returning to Brussels after the Armistice, the Government found itself faced with a formidable task. The 1919 Budget showed a deficit of nearly Frs. 6,000 million, of which some Frs. 2,500 million were to be paid by Germany before May, 1921.

The National Debt was then estimated at approximately Frs. 15,000 millions, or an increase of some Frs. 10,000 millions on pre-war figures, a large proportion being ultimately recoverable from Germany in respect of money advanced for reconstruction purposes and indemnities of all kinds. New taxes were introduced, the most important being a tax on incomes, on lines similar to those followed in Great Britain.

At the beginning of 1920 the National Debt amounted to about Frs. 22,650 millions and the Budget showed a total deficit of some Frs. 5, 200 millions, of which over Frs. 4,500 millions were recoverable from Germany. At the end of 1920 the National Debt had increased to about Frs. 30,000 millions, and at the end of 1923 it was over Frs. 40,000 millions.

The general budget for 1924 showed an estimated revenue of Frs. 6,687 millions and an expenditure of Frs. 8,332·4 millions, or a deficit of over Frs. 1,645 millions. Receipts from taxation showed an increase of nearly Frs. 800 millions, as compared with the 1923 budget.

1(b) General Economic Situation.—The economic and financial position of Belgium at the present time is dominated and overshadowed by the Reparations question. Public finance is oppressed by the weight of the burden thrown upon it by

the insufficiency of reparation payments from Germany. Taxation is high, and the revenue from it does little more than meet the charges for the public debt service and pensions. The outlook gives cause for anxiety, but this condition is by no means peculiar to Belgium, nor is she ill-fitted for dealing with the situation. Belgium is rich in resources. The people have great capacity for industry, and are fertile in initiative. The country is possessed of a well-organised financial, industrial and commercial machine. Its factories are equipped with modern plant, and its ports and means of communication are highly developed. It will shortly have available very considerable supplies of coking coal to be furnished by the Campine basin, which lies between Antwerp and the German frontier. It is furthermore possessed of great wealth in the Congo and in numerous overseas enterprises. Proof of the capital available for investment is to be found in the ease with which the innumerable issues of fresh share capital during the last year or so have been covered by public subscription, and in the financing of reconstruction work, for which purpose over Frs. 21,000 millions, mostly drawn from the Belgian people, have already been expended.

1(c) Territorial Changes.—The districts of Eupen and Malmedy were added to Belgium under Article 34 of the Treaty of Versailles. The area of the districts is 380 square miles, and the population 60,000. Local industry worked in the past almost exclusively for German markets, and time will be required before new markets can be definitely established in the West—Belgium, France and England. Wool is an important industry in Eupen, the industry being closely linked with that at Verviers. Other industries are tanning and the manufacture of leather. A number of quarries, lime kilns and brick works exist in the district. Malmedy is less important industrially than Eupen, and the district is composed largely of forest and pasture lands. The principal industries comprise tanning, paper-making, peat cutting and the manufacture of hats.

2. ECONOMIC DEVELOPMENT.

2(a) Mining.—The discovery of coal in the Campine basin was a very important event in the commercial history of Belgium. The older coal fields of Belgium are singularly deficient in the qualities of coal suitable for coking, and the great metallurgical and other industries have been largely dependent on foreign countries in the past for their supplies of coke. The Campine field contains rich deposits of coking coal, and its rapid development can be judged by the fact that, whereas in 1917 the production was 11,640 tons, the total quantity produced in 1923 amounted to 807,650 tons, and in the first eight months of 1924 to 735,530 tons. It is estimated that in two years' time the annual production will be about 2,000,000 tons. The natural

consequence of this development is the industrialisation of the neighbouring districts, in which the copper, zinc, lead, tin, glass, radium, chemical cement and brick industries all play an important part.

The sudden development of the industries of the Campine district has necessitated the construction of new railway lines, main roads and canals. Special consideration is being given to schemes for making a canal from Antwerp to Liège, and for another from Antwerp to the Rhine. In addition to its coal deposits, the Campine district is possessed of sand of exceptional quality for the glass industry, a speciality of Belgium.

Iron ores of varying qualities are found in Belgium, but are not mined to any large extent. In the Liège district are a number of veins containing a mixture of iron pyrites, lead ore and zinc ore, but the deposits are very small. There are many quarries in Belgium; limestone, marble and many types of slate being found. Pottery clay, fireproof clay and glass sand are worked in various centres.

2(b) Agriculture.—Belgium is highly industrialised and thickly populated, and is dependent to a large extent on imported foodstuffs. It was stated recently that the value of agricultural produce exported annually was Frs. 300 millions, whereas imports of wheat and other cereals, meat, eggs, butter, cheese, etc., had a yearly value of from Frs. 1,700 to 1,900 millions. Increased attention is now being given to the necessity for producing foodstuffs on a larger scale. The principal crops are wheat, rye, oats and barley. Sugar beet is grown extensively, the yield of raw sugar in 1923 being about 275,000 tons, of which some 160,000 tons would be required for home consumption. Flax is cultivated largely, and hops and potatoes are remunerative crops. Horse-breeding is an important industry, large numbers of draught horses being exported to France and other countries. Poultry breeding has made a great advance throughout the country, and is well organised.

2(c) Electric Light and Power.—There is very little water-power in Belgium, and practically all the electricity required in industry is generated by the use of fuel. There has been a remarkable development during the last few years in the use of electric light and power. Such is the demand for power that many of the companies operating throughout the country have been obliged to make large increases in their capital. At the end of 1923 there were stated to be 224 power stations in Belgium producing a total power of 435,960 Kw. Several important schemes for the electrification of whole districts are at present under consideration.

2(d) Railways.—Mention has been made of the railway development which is taking place in the Campine basin. Several new lines are being laid in that district, and in the case of

some of the existing ones tracks are being doubled. There are proposals also for railway development in the Brussels and Liège districts.

2(e) Roads.—In many districts of Belgium the roads are defective, and, although a great deal of repair work has been carried out during the past year, much still remains to be done. Many new roads are being made in the Campine coal district, and also in other parts of the country. An important scheme is the proposed building of a new main road between Antwerp and Brussels; and improvements to a good many of the existing main roads are projected.

2(f) Canals.—Mention must be made of the canal system of the country, as this is an important feature. The construction of a waterway connecting the port of Antwerp with the Campine coal basin and the important industrial district of Liège has become urgently necessary and some portions of the work are now being carried out. It is proposed to create an Antwerp-Rhine canal, and other canals are projected in several parts of the country. The Brussels-Charleroi canal which is at present being made is of primary importance. It is designed for the navigation of 600-ton barges and will afford direct communication between Antwerp and the coalfields and industrial areas of Charleroi and Mons and, further, with the French canal system.

2(g) Port and Harbour Works.—In Antwerp, Belgium possesses one of the finest ports in the world. There are now over 17 miles of deep-water quays at Antwerp, and, on completion of the extensions which are at present in progress, there will be 28 miles of quayside and a dock water area of 1,334 acres. A network of railroads to serve the new port extensions will be laid down, the total length of lines being about 500 miles, or double the existing network. Important development work is proceeding at the ports of Ghent, Brussels and Ostend, and shipping activity is increasing at all these places. A great effort is being made to convert the port of Zeebrugge into a harbour of the first rank. In this connection mention must be made of the Harwich-Zeebrugge train ferry service, which came into operation in April, 1924. The new service should prove of some value for the export from Great Britain to the Continent of many classes of fragile goods; and Belgian and other Continental Exporters should also benefit by the possibility of forwarding perishable goods, such as fruit, vegetables and poultry, direct to their destination in Great Britain.

3. INDUSTRIAL POLICY.

3(a) Labour Questions.—There is very little unemployment in Belgium and, in fact, during 1923 it was necessary in some industries to introduce workers from Holland and Italy to cope with the work. Many thousands of Belgian

workmen have gone to France, where they have been attracted by the high wages offered for reconstruction work, and this has accounted to some extent for the shortage of labour in Belgium. When these men return, Belgium may be faced with a difficult economic problem. The law limiting the hours of labour to 48 per week is being strictly enforced, but it would seem that there is a growing feeling, both amongst employers and workmen, that it may be necessary to make some modifications in its provisions if Belgian industry is to regain its former flourishing condition. In Belgium the eight-hour day means "not more than eight hours per diem, or 48 hours per week." The eight hours per diem can be increased to a maximum of nine hours in cases where the "English week," *i.e.*, Saturday afternoons free, is adopted, on the condition that the total number of hours worked in the week does not exceed 48. The application of this law in Belgium, where formerly 10 hours constituted a working day, created in many cases a greater demand for labour. In the case of the railways, where formerly two shifts were sufficient, three shifts are now required. In many factories where one shift working 10 hours sufficed, two shifts have now to be employed. In the textile industry, however, it has been found impossible to work two shifts, owing to insufficiency of labour, and production has consequently been reduced, it is estimated, by 15 to 20 per cent. Mention must here be made of the arrangement whereby special allowances, additional to and completely independent of wages, are made in some industries to workmen with families. The system originated in the consideration that a workman with family responsibilities, particularly in the difficult economic conditions prevailing after the war, should receive assistance. Allowances vary in different trades and according to the number of children in family; and they are not paid at the factory, but at the workman's house. The financial charges incurred are borne in their entirety by the industry. The system has now been adopted by firms employing in all 280,000 men, of whom 160,000 are in the coal industry. Scales differ, but the following may be taken as an example of a monthly allowance: one child, 10 francs; two children, 30 francs; three children, 60 francs; each additional child, 40 francs. The State has also adopted the system, and allowances are paid to civil servants and employees in the railways, marine, posts, telegraph and telephone departments.

3(b) Effect of War on Belgian Industries.—The country was almost entirely occupied by the enemy during the whole period of the war. Her industries, with the exception of the coal industry, were almost completely annihilated and there was during that period no opportunity to develop new enterprises. Consequently, at the end of the war, Belgium found herself deprived of the assistance of German capital, her pre-war markets either closed to her altogether or grown dependent on other sources of supply, her industrial population rendered

inefficient by enforced idleness and physical deterioration, and the greater part of her industrial plant either stolen or destroyed. Her economic recovery since the war is well known, and the rapidity with which this has been effected is very wonderful.

3(c) Reconstruction of Factories.—It may be said that, from the point of view of the number of factories, plant and equipment, Belgium's industrial capacity to-day is greater than it was in 1913. Factories existing in 1913 have been extended and their plant very considerably modernised. Thus, for instance, all the factories which had been destroyed during the war have been rebuilt on the most modern system. As regards the machinery, although much of this is new and of the latest type, a great portion is of the pre-war model, having been recovered from Germany.

3(d) New Factories.—In addition to the reconstruction of factories existing before the war, numerous new factories have been erected during the last five years for the production not only of articles already manufactured in Belgium, but also of articles not previously produced. In this latter class are goods formerly obtained from Germany. These will now have to meet German competition.

3(e) Improvements in Industry.—A great feature in Belgian industry to-day is the effort towards a reduction of the costs of production. In the metallurgical industry the more important companies are combining, as regards their internal organisation, the various branches, namely, mining (coal and minerals), coke-ovens, metallurgical and constructional.

Another feature in the efforts of the metallurgical works to reduce their costs of manufacture is the development of the production of the by-products, such as benzol, naphthaline, tar and sulphate of ammonia. A further step towards economy through the centralisation of electrical power resources has been taken by 12 of the most important metallurgical and mining companies in the Liège district, which have linked up their respective central power stations, so that they now have available an installation of 100,000 horse-power.

The development of the use of electrical power throughout the country is also very remarkable. In the large industrial concerns the plant is now almost universally driven by electrical power.

Another feature of this development of electrical power is the consequent growth of small-scale industries. Single individuals are now enabled to manufacture at their own homes, since current is readily available. In this wise the restrictions placed on productive capacity by the eight-hour law can be partially overcome.

3(f) Metallurgical and Engineering Industries.—Belgium is an important producer of iron and steel products, and considerable progress was made during 1923 in the production of rails,

sheet iron, steel bars and sheets, rods, nails, wire for rope making, etc. Large orders were executed for rolling stock, agricultural machinery, tractors and industrial equipment. Great activity reigned throughout 1923 in the zinc industry and progress was recorded in the motor car and cycle industry. Important factories exist in Belgium for the manufacture of textile machinery, lifting and transporting machinery, electrical plant, girders, boilers, engines, motors, pumps, firearms, etc. Practically all the ores used in the metallurgical and engineering industries have to be imported and a very large part of the supplies comes from Great Britain and British possessions. This point should be borne in mind when considering the effects of Belgian competition with British iron and steel products. Very large quantities of the coal used in the Belgian industries come from Great Britain, but, as mentioned above, the dependence of Belgium upon foreign countries for supplies of coking coal will diminish as development takes place in the Campine coal field.

It is considered that the capacity of production in the metallurgical industries at the present time is greater than in 1913.

The following statistics show that the actual production has increased.

Monthly average.	Blast furnaces working.	Production of pig iron. (Tons.)	Production of crude steel. (Tons.)	Production of Finished steel. (Tons.)
1913	54	207,058	205,552	154,922
1924 (June)	48	236,730	225,090	184,190

3(g) Textile Industries.—Cotton spinning and weaving are carried on chiefly in the Ghent district. Raw cotton, which was formerly imported chiefly from the United States, is now bought in increasing quantities from British India. In 1923, 127,000 bales were imported from India and 129,000 bales from the United States, whereas in 1920 the figures were 78,000 and 170,000 respectively. The change is due to the fact that Belgian spinners have decided to content themselves with inferior grades, rather than pay the high prices asked for American cotton. In 1924 there were stated to be 1,698,761 spindles, an increase of 12 per cent. on 1914 figures (viz., 1,518,134). A further 31,260 are in course of erection. The weaving branch of the industry enjoyed great prosperity during 1923. The rapid appreciation of the franc in the spring of 1924 led to some slackness, but in the autumn conditions improved.

Verviers is the centre of an important woollen industry which has made considerable progress during recent years. Extraordinary prosperity has been experienced in the artificial silk industry and factories have been working until recently at

their maximum capacity. The linen, jute and hemp industries all showed steady increase during 1923. Conditions improved in the linen industry in the autumn of 1924, following some uncertainty in the summer.

3(h) Glass Industry.—The glass industry is very important, plate and window glass, table and ornamental glass, bottles, etc., being produced in large quantities. As in other industries, manufacturers are reserved about accepting orders for delivery at long dates, but the trade generally speaking is in a prosperous condition. The raw material, sand, is abundant in Belgium, but it is necessary to import from France special sand for crystal glass. Lime is also found in the country and most of the chemical materials are supplied by the Belgian chemical works. The exchange appreciation in the spring also adversely affected this industry, but business revived in the autumn.

3(i) Other Industries.—In 1922 there was a great development in the brick industry and activity even increased during 1923. Large numbers of new brickfields have been established and when the home demand slackened in 1924 some accumulation of stocks took place. Good quality bricks have found a ready market in Great Britain.

Other important industries include the manufacture of chemical products, cement making, quarrying, tanning and manufacture of leather goods, paper making, manufacture of earthenware and porcelain ware, lace manufacture, sugar production, manufacture of margarine, brewing, distilling, etc., etc.

4. EXTERNAL TRADE DEVELOPMENT.

4(a) Trade Statistics.—On 1st May, 1922, the Belgo-Luxemburg Convention came into force, so that figures of imports and exports as from that date include combined statistics relating to Belgium and Luxemburg. In view of this fact, and also on account of the alteration in the value of the franc, it is difficult to compare the trade statistics of recent years with those for 1913, but the following figures are furnished as giving some indication of the volume of trade. The figures in sterling in the last column have been estimated by dividing by the average rate of exchange.

IMPORTS.

Year.	Quantities (Metric Tons).	Value (million francs).	Value (million pounds).
1913	32,656,283	5,050	200
1922*	22,558,424	9,452	159
1923	26,603,129	13,205	149
1924 (first 6 months) ...	15,875,074	8,569	87

* From 1st May, 1922, the figures relate to the Belgo-Luxemburg Economic Union.

EXPORTS.

1913	20,885,182	3,716	147
1922*	17,000,320	6,358	107
1923	16,974,341	9,725	110
1924 (first 6 months) ...	9,681,427	6,738	68

4(b) Development of Export Organisation.—As regards the organisation of large manufacturing firms or groups for the export trade, certain of the largest firms have their branches in various countries, but they are rather the exception than the rule. This is due to the heavy expenses attached to the establishment of foreign branches. Belgian firms generally depend upon local agents abroad, or do their trade through the big commercial exporting houses.

The efforts made to secure the combination of firms for foreign trade purposes have mainly proved unsuccessful, owing to the individualistic character of the Belgians.

Notable exceptions to this general lack of combination are the Plate Glass Combine and the Luxemburg iron-masters, the latter having a widespread overseas organisation.

4(c) Trade Propaganda and Commercial Missions.—Great attention is being paid by Belgium to propaganda for the development of export trade. The National Committee established for this purpose has neglected no means of bringing Belgian goods to the notice of the foreign buyer. Fairs, exhibitions, economic missions, the Press and the cinematograph film are all utilised. In addition, visits of foreign economic missions and Press representatives to Belgium, as also those of foreign students to industrial centres, are arranged. Among trade missions which have had important results may be mentioned that which visited Japan early in 1923 and the mission to South America in 1922. The business relations established in Japan as the result of the mission were of particular utility in connection with the reconstruction work following the earthquake catastrophe, and shipments for Japan were heavy last year. The mission to South America led to the formation of a Belgo-Latin-American Chamber of Commerce in Brussels. South American markets are receiving particular attention from Belgian exporters.

4(d) Export Credits Scheme.—Early in 1921 the Minister of Labour introduced a scheme of export credits under which the Government was authorised to guarantee, up to a figure of 250,000,000 francs for a period of 5 years, the successful issue of sales of Belgian goods abroad. The amount guaranteed from June, 1922, to October, 1924, was, it appears, approximately 70,000,000 francs.

* From 1st May, 1922, the figures relate to the Belgo-Luxemburg Economic Union.

4(e) Future of Belgian Industry.—Belgium, as a small, industrialised country, must of necessity import largely, but in order to pay for her imports she must also keep up a large export trade. Her problems are in some respects similar to those which confront Great Britain. Both countries must import large quantities of raw material in order that their factories may produce goods for home consumption and for sale to other countries. Belgium's present aim is to increase the home production of grain and dairy products and so to decrease the imports of foodstuffs from foreign countries and, with them, the adverse trade balance. As has been pointed out previously, much of the ore and coal used in the metallurgical industries is at present imported from Great Britain and other foreign countries. It seems likely, however, that these conditions will not remain the same in the future. The Belgian Congo is very rich in minerals and, as development of the colony proceeds, increased quantities of copper and iron ores will no doubt be exported to Belgium for use in the metallurgical industries. The greater part of the coal required will shortly be obtained from the Campine field. It thus seems clear that Belgium will not be nearly so dependent in the future on foreign supplies of coal and ores for her metallurgical industries.

5. COMMERCIAL POLICY.

5(a) Customs Tariff.—It was felt after the war that the Customs Tariff law which had been in force for many years was unsuited to modern requirements, and a bill for the revision of the law was introduced in March, 1923. In introducing the bill, it was explained by the Government that there was no intention of deviating from the policy of freedom in trade which had always been traditional in Belgium. At the same time freedom in trade must not be taken to mean absolute free trade, an interpretation which moreover it had never had. The principal object of the tariff was the raising of revenue, but this was not its only function. Even before the war Belgium had difficulty in dealing with highly protectionist countries, and it was felt that the Government must have a weapon with which, should all appeals for concessions prove unavailing, national interests might be protected. To this end a double column tariff was proposed with maximum and minimum rates. The maximum rates would be applied to countries which accorded less favourable treatment to Belgian goods than to goods of other countries, or which, by the erection of prohibitive customs barriers, threatened the existence of Belgian industries. The new tariff came into force on 10th November, 1924, and, whilst it may be said that its general tendency is to impose higher rates of duty, it is impossible, of course, to make any statement as to its effect on British trade until some experience has been gained. Special rates have been applied to certain products of Germany and Czechoslovakia, owing to the depreciated currencies of those countries. A decree which came into force concurrently with the new tariff raised a considerable

number of the coefficients of increase which were prescribed in the actual tariff.

5(b) Import and Export Restrictions.—Early in 1923 a law was passed giving the Government power to restrict until 31st December, 1923, the importation, exportation and transit of all classes of goods and securities. The general reason assigned for the need of this legislation was the prevailing state of economic instability and insecurity and the consequent necessity for the Government to be placed in possession of a weapon with which to parry economic action inimical to national well-being. The powers of the Government in this respect were extended until the end of 1925. Restrictions on the export of certain classes of goods have been decreed from time to time, but many of these were temporary and have been withdrawn or modified. Among the articles for which licences are required are: butter, cream, raw bones, potatoes, sugar, and certain classes of wood, tiles and bricks.

At the present time the only goods of which the import is restricted are aniline dyes of any origin and crude petroleum and its derivatives and residues. Licences are necessary for these commodities.

5(c) Commercial Treaties.—Since the war commercial agreements based on the most-favoured-nation clause have been concluded with Poland and Austria, and negotiations for agreements have been proceeding with several other countries. After protracted negotiations, a commercial arrangement between France and the Belgo-Luxemburg Economic Union was signed at Paris on 24th October, 1924. It came into operation on 10th November, the date on which the new Belgian Customs tariff came into force. The reduced duties provided for in the arrangement apply to similar British goods imported into Belgium.

6. COMPETITIVE SITUATION.

6(a) Effect of Franc Depreciation.—The depreciation in value of Belgian currency has resulted in large foreign markets being opened up for Belgian goods. Great Britain's trade with Belgium is directly affected by the rise and fall of the franc exchange. The depreciation of the franc has tended to diminish British exports, for British prices, however moderate, when expressed in francs are frequently beyond the purchasing power of the Belgian consumer. It has also tended to diminish the exports of British goods to other foreign markets, as well as the sales of British products on the home market, since the Belgian manufacturer, favoured by the higher internal purchasing power of the franc, is enabled, owing to his lower cost of production, successfully to compete with the British manufacturer.

6(b) Home and Foreign Contracts.—Considerable success has attended Belgian firms in competing for public works contracts

in foreign markets, as the Belgian manufacturer has been able to underquote other manufacturers abroad. Locomotives, agricultural machinery and general iron and steel goods are products for which Belgium has been able to obtain important orders in competition with Great Britain, France, Germany, etc., in such countries as Poland, South America, Spain, China, etc. Belgian influence in Africa and South America has increased very much during recent years, and many orders for industrial equipment and machinery required for development purposes have been secured.

6(c) Belgium's Trade Competitors.—Exports of manufactured goods from Belgium were in the majority of cases considerably greater in 1923 than in 1922, there being notable increases in the case of plate and other glass, rails, iron and steel products. Belgium's chief competitors in manufactured goods are France, Great Britain, U.S.A. and Germany. As the stabilisation of Germany proceeds, German competition for public works contracts, machinery, etc., in foreign countries may become keener, and Belgium may have to make great efforts to retain her present position in the world market.

6(d) Export of Particular Commodities.—*Cement.*—Exports of cement in 1923 show an increase over those in 1913. Though there was a falling off in exports to Germany and Argentina, other markets developed in a manner which more than compensated for these decreases. The United States may be said to constitute a new market, as the quantity sent in 1913 was so small as to be almost negligible. Exports to France increased 300 per cent., and exports to Great Britain increased 12 per cent.

Machinery.—As compared with 1913, there were in 1923 notable increases in the exports of cast-iron machinery to Argentina, Brazil, Spain and Holland, and in iron and steel machinery to Argentina, Chile, China, Spain and Egypt.

Exports to Germany show a considerable decrease in both classes of machinery.

Rolling stock. Tramcars and railway carriages also figure amongst Belgium's most important exports, and, although the total exports for 1923 were very considerably below those for 1913, increases were shown in the exports to Portuguese East Africa, British India, the Dutch East Indies, Morocco, Portugal, Switzerland (practically a new market) and Tunis.

Zinc.—In this industry large increases are shown in exports of rolled and drawn zinc to France, Portuguese East Africa, Union of South Africa and Denmark, while a new market has been found in French Indo-China. Exports to Germany show a considerable diminution.

Plate Glass.—This industry shows a considerable expansion in the exports to the Netherlands, U.S.A., Canada, Argentina, Japan and France. Exports to Great Britain and Italy, on the other hand, have fallen off considerably.

Window-Glass.—Exports of window glass, although larger than in any year since the armistice, 183,125 tons, have not yet reached their pre-war level (205,562 tons in 1913).

Chemicals. — More than half the total production of carbonate of soda was sent to foreign markets, exports to Scandinavian countries having increased to a great extent; whilst apparently a new market was found for this article in Finland. Increased exports to these countries are to some extent offset by Italy, which no longer figures on the list of Belgium's customers.

Exports of ammonia sulphate show big increases to Spain and Holland. Exports to France and the Dutch East Indies were, however, less than in 1913.

Ultramarine blue was not specially classified in 1913, so no comparison is possible. It is well known, however, that the production has largely increased, and, in 1923, 3,459 tons were exported, principally to Egypt, Spain, Holland, Greece, China, Argentina and British India.

Boots and Shoes.—A new market has been found in Norway, whilst exports to Italy have fallen off.

Textiles.—Exports of yarns have fallen off. Great Britain is still Belgium's best customer for woollen, cotton and flax yarns. Germany has practically ceased to buy, but, on the other hand, France considerably increased her purchases of both cotton and flax yarns, whilst a larger market was found for the latter in Spain.

Yarns.

	1913.	1923.
	Metric tons.	
Carded Woollen Yarns.		
Total	7,161	2,971
Great Britain	5,889	2,225
Cotton Yarns.		
Total	5,642	6,824
Great Britain	2,020	2,642
Holland	1,282	1,836
France	134	1,295
Flax, etc., Yarns.		
Total	32,961	17,020
Germany	8,701	289
Great Britain	7,774	4,735
Holland	5,112	2,011
Italy	3,978	2,281
Ireland	3,484	1,113
France	736	3,065
Spain	449	1,032

Exports of cotton piece goods have also diminished, the falling off being chiefly noticeable in shipments to British India, the United States of America and Turkey. Exports to Great Britain showed an increase—5,518 tons in 1923 against 4,606 in 1913—as did those to South Africa (1913, 1,180; 1923, 1,915).

The following table, taken from the Belgian trade returns, gives particulars of the exports of some of the principal classes of cotton piece goods. No further subdivision is given in the trade returns of the goods included under the heading "other", which comprises all classes not separately enumerated.

Cotton Piece Goods.

	1913.	1923.
Dyed.	*Metric tons.*	
Total	1,335	5,705
Great Britain	231	2,523
Unbleached.		
Total	3,447	2,716
Great Britain	2,397	1,090
All other Classes.		
Total	23,324	16,678
Argentina	2,995	3,724
Great Britain	2,181	1,658
South Africa	1,181	1,915
United States of America	3,422	536
British India	3,569	306
Turkey	1,882	905

Generally speaking, efforts for the development of export trade have been mainly directed to the South American and Japanese markets. Interest has also been shown in Finland, Poland and Near Eastern countries.

7. NOTE ON BELGIAN CONGO.

The acquisition by King Leopold II of the Congo basin, and its transfer to the Belgian State in 1908, were of far reaching importance in the economic development of Belgium. The Belgians have shown themselves possessed of ability and enterprise in colonial development, and even in 1913 the Congo had become a colony of considerable importance in mineral and agricultural resources.

Perhaps the chief problem in the Congo is the problem of transportation. Up to the commencement of the war, railways had been built of a total length of 2,200 kilometres and schemes

are now being put into execution whereby some 3,000 kilometres of railway will be added to the existing system. The railways which are being built will link up the navigable waterways of the Congo, so that an efficient transport service will be provided right into the interior at the lowest possible cost.

The provision of an adequate transport service for the important mining district of Katanga is receiving prior attention, in view of the enormous advantages which will accrue to Belgium as the result of thoroughly exploiting its vast mineral resources. The amount of copper produced in Katanga during June, 1924, was 7,500 tons, and the average annual production is now between 80,000 and 90,000 tons. This places the Congo as the third largest producer of copper in the world, and much larger quantities will be produced in the future. Tin, iron, gold, coal and diamonds are all being produced in increasing quantities. Radium and manganese ores and cobalt are also found.

Rubber production has played a very important role in the political and economic history of the Belgian Congo. Until the beginning of the present century important quantities were exported, but production has been decreasing during recent years owing to several causes. During the war production was not developed, and in recent years it has been found extremely difficult to compete in prices with the growing plantations in the Far East. Rubber still holds an important place, however, in the trade of the Congo. Of natural products, the most important in addition to rubber are palm oil and copal, while on the plantations are produced cocoa, coffee, sisal hemp and kapok. The cultivation of rice and cotton has been undertaken with varying success by European planters.

Great efforts are being made by the Belgians to fight the serious tropical diseases which ravage the natives, and medical missions have been established in various parts of the colony to help in this most necessary work. The inhabitants of the Congo number some 15 millions, spread over an area of 910,000 square miles—a very thin population. Everything possible, therefore, must be done to preserve life if the Congo is to develop satisfactorily.

The Congo already forms a good market for Belgian machinery, piece goods and manufactured goods generally, and, as development proceeds, the demand must necessarily increase. At present Great Britain ranks second to Belgium in the Congo's import and export trade.

FRANCE.

	1901	1911	1921
Population ...	38,961,945	39,601,509	39,209,766

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1922. (£1,000.)	1923. (£1,000.)
U.K. exports to France ...	15,194	28,933	48,538	49,258
U.K. imports from France ...	44,798	46,353	48,538	58,462
U.K. re-exports to France ...	6,384	11,949	17,618	19,041

French Trade Returns. Special Trade.	1904. (1,000 francs.)	1913. (1,000 francs.)	1922. (1,000 francs.)	1923. (1,000 francs.)
Total imports	4,502,300	8,421,332	23,930,000	32,688,804
Imports from United Kingdom	523,512	1,115,136	3,273,200	*5,275,377
Percentage from United Kingdom	11·6%	13·2%	13·7%	16·1%
Total exports	4,451,000	6,880,217	21,378,900	30,432,585
Exports to United Kingdom ...	1,213,905	1,453,887	3,968,600	*6,147,852
Percentage to United Kingdom	27·3%	21·1%	18·6%	20·2%

Note.—The French figures for imports in 1923 are "declared" values. All the others are "valeurs arbitrées," fixed by the "Commission des Valeurs."

Currency.—The unit of currency is the franc. The par rate of exchange is frs. 25·22=£1. The annual average rates of exchange during the past five years have been as follows:—

1920	52·776	1922	54·603
1921	51·899	1923	75·658
	1924	85·275	

1. FINANCIAL OUTLOOK.

The consequences of uncovered war expenditure and the cost of reconstruction on French soil still exercise a decisive influence upon the public finances.

During the 10 years 1914 to 1923, a total expenditure of 428·7 milliards of francs has to be set against a total revenue of only 132·9 milliards, leaving a deficit of 295·8 milliards. The budget for each of these years shows a heavy deficit. During the years 1915 to 1919, expenditure was about five to eight times the receipts. The year 1920 marked a turning point. A large-scale increase of taxation was introduced, and considerable reductions

* These figures are in respect of "Great Britain" only.

have been effected since that date in the military, naval and civil services, as well as in reconstruction and similar payments arising out of the war.

The importance of the last named items may be gauged from the fact that expenditure under this heading, which is accounted for under a separate "reparations" budget, apart from the "general" budget, amounted during the years 1914-23 to no less than 118·3 milliards out of a total national expenditure of 428·7 milliards.

It may be explained with regard to the term "reparations" budget, that charges under this heading, which consist of reconstruction payments, pensions, etc., etc., were classified apart as being recoverable from Germany as reparations under the provisions of the Peace Treaties.

In spite of the economies introduced since 1920, there was still a deficit of 18,100 million francs on the budget for 1923, the expenditure amounting to 45,800 million francs and the revenue to 27,700 million.

"Reparation" payments accounted for 21,700 million, so that, apart from this expenditure, the budget showed a surplus. The *total* excess of expenditure over revenue in 1923 was, indeed, far less than in the previous seven years; but the continuous wide discrepancy between income and expenditure and the constant necessity of borrowing on a large scale, owing to the repeated failure to receive substantial payments from Germany, caused general misgivings as to the future of the public finances.

The accentuated depreciation of the franc in January, 1924, caused a very marked change in the public consciousness of the country's financial difficulties. The most drastic measures were then called for—the cutting down of all unnecessary expenditure, retrenchment throughout the State services, suspension of all new commitments, even the suspension of "reparation" payments, and the immediate voting of new taxation for the balancing of the budget.

The "general" budget expenditure for 1924 had been established at 23,596 million francs and receipts at 23,559 million, thus showing a nominal surplus of 37 million. There remained, however, uncovered expenditure of about 15,000 million francs under the "reparations" budget. It was accordingly proposed to transfer a sum of about 6,000 million francs from the separate "reparations" budget and include it in the "general" budget. In order to cover the 6,000 million francs required to balance the general budget at the revised higher figure and so reduce uncovered expenditure from 15,000 to 9,000 million francs, it was proposed to obtain 3,630 millions by the addition of 20 per cent. (the so-called "double decime") to all taxation, with few exceptions, and the remainder partly from retrenchment in State services, partly from other increases in taxes and duties, and

partly from a more efficient collection of income tax. These proposals were ratified by the Finance Act passed in March, 1924.

Judging from the returns at present available, it seems probable that the general budget for 1924, instead of balancing, will show a deficit of at least 4,000 million francs.

As regards the future, it may be pointed out that the budget proposals for 1925 will probably be liable to considerable modifications. Annual expenditure under the heading of "reparations" will be materially reduced when reconstruction terminates, which is expected to be the case at the end of 1925, after which date the State will only have to finance those works which, from their nature, have to be carried out over a period of years.

On the other hand, it should be mentioned that short-term loans or bonds, to the extent of, roughly, 12,000 to 15,000 million francs, fall due in the spring and summer of 1925. Although much fresh revenue will doubtless be secured by the greater stringency in tax collection and from certain new minor sources, the sums required in 1925 for the "general" budget and for reconstruction and similar payments will only be secured with difficulty.

2. INDUSTRIAL DEVELOPMENT.

2(a) General.—The internal economic development in recent years has been remarkable. When, during the war, Germany occupied a large part of industrial Northern France, the French at once erected new works and extended old ones in other parts of France. Those factories, equipped with the most up-to-date machinery, remain. The peace added greatly to France's industrial strength. Reconstruction of the devastated areas, now virtually complete, has resulted in a notable increase of the productive capacity of the north as compared with its pre-war capacity. But that is not all. An equally important factor is the recovery of Alsace-Lorraine. The results of the transplantation of industries, consequent on the German occupation of the north, may be seen throughout France. In Paris and its suburbs, in the Lyons area, near Marseilles, at Bordeaux, Bourges, Tours, St. Nazaire, Nevers, Caen, Havre, Rouen, Le Creusot, Bergerac, and at numerous small centres, whether in the Pyrenees, the French Alps, or the Central Plateau, there are visible substantial new factories of this era, and in many cases workshops on a scale and with an equipment unknown before the war in similar French undertakings. The need to make good the coal and ore deficits consequent upon the occupation of the northern areas also encouraged the extensive improvement of the means of production in the remaining French coal and ore districts.

2(b) Effects of Recovery of Alsace-Lorraine.—By the recovery of Alsace and Lorraine, France has brought within her territory

new and large resources in raw materials, in ores, coal, potash and oil, as well as great and highly developed metallurgical, engineering and textile industries. France was already one of the most important producers of iron ore in Europe, but the acquisition of the Lorraine mines has made her the largest potential producer of iron ore after the United States of America. On the basis of the 1913 figures, she should be able to produce more than 42 million tons of ore per annum, although, for various reasons, she is yet far from having reached this output. The question of the disposal of this ore is one of the most important questions affecting the future of French economic relations with Germany.

The acquisition of the Pechelbronn oilfield, although its present output, ranging up to about 70,000 tons per annum, is, at most, 10 per cent. of French consumption, affords France some relief from complete dependence on foreign imports of petroleum.

The Alsace potash mines (output in 1913-14 about 350,000 tons of pure potash) provide France with large supplies of a product of which she and Germany are virtually the only producers in Europe. Potash also means a heavy freight for shipping, in which France has been lacking.

2(c) Reconstruction of the Devastated Areas.—The devastated areas are now back to full working capacity. The damaged or destroyed coal mines yielded an output in July, 1924 at the rate of 19·1 million metric tons per annum as compared with an output of close on 21 million tons in 1913. Not only have the general plant, coal-getting equipment, and power stations of these mines been immensely improved, but the efficiency of the industry has made enormous strides by the increased or new provision for the output of all manner of by-products. In particular, a vital deficiency in the French raw-material production—her under-production of coke—has been so far made up that France now produces at the rate of five million tons a year, or nearly two million more than in 1913. Her ore-mining industry has recovered; her potash industry has got into its stride and is increasing its export to markets formerly possessed by Germany. The woollen, cotton, linen and jute industries in these areas, all of which suffered severely in the war, have finished the re-equipment of their works, and have been producing to the full extent of their labour supply. The metallurgical, engineering, chemical and miscellaneous industries of the same areas have likewise completed their reconstruction, and have been unusually active, especially since all misgivings regarding an adequate supply of coke, and therefore of steel, were dissipated. Agriculture has made slower progress, partly owing to the acute shortage of labour; but the chief crops—wheat and sugar-beet—are regaining their former yield, and some progress towards providing the country with live stock is observable.

2(d) Other Developments.—Apart from the renewal, on a vast scale, of her mining and factory equipment, France, within

her old territory, has acquired new forces by the greatly extended use of her water-power, and by the improvement of her ports, waterways and railways.

Waterpower.—The total waterpower developed or available for development in France is estimated as equivalent to more than 12,000,000 horse-power. The sources of supply are chiefly in the Alps. At the beginning of 1924 about 1,000,000 horse-power was actually in use, and a further 500,000 horse-power under construction, while schemes were under consideration involving nearly 5,500,000 horse-power additional.

Railways.—The most important railway improvement has been the introduction of electricity as the chief motive power on several main lines, namely, Paris-Orleans, Paris-Lyons-Mediterranean, and the Midi. These schemes affect about one-third of the railway mileage. The repair or reconstruction of the railways in the war area is nearly completed. Outside this area extensions and alterations are also being made. French trunk lines have been operated during the last two years under the Railway Law of October, 1921, which seeks to speed up improvements in technical working. The financial situation of the railways has greatly improved during the last two years, although there is still a large deficit to which the State has to contribute.

Roads.—War-damaged roads have been re-made, and repair work, long overdue in other districts, has progressed well. The Chamber of Deputies has adopted a Government Bill for the creation of a new system of main roads for heavy traffic.

Inland Waterways.—Much has been done to improve the inland waterways. In 1921-22 a comprehensive national programme for their development was drawn up by the Minister of Public Works. The limited amount of money available for this purpose makes progress slow.

3. DEVELOPMENT OF INDUSTRIAL ORGANISATION.

Industrial Policy of Concentration.—French progress in material equipment for productive purposes has been matched by the advance in industrial organisation. As in the other principal producing countries, the chief feature in France's recent reconstruction has been consolidation, whether horizontal or vertical; and the regional developments in these directions have tended to become national and even international in scope. This movement has been peculiarly conspicuous in the great metallurgical and engineering industries, but its operation has been visible in a whole series of other industries.

3(a) Metallurgical Group.—This development is found among the great concerns in the metallurgical group—Schneider, the Compagnie des Forges et Aciéries de la Marine et d'Homécourt (better known as St. Chamond), the Société

des Mines de Longwy, the Société des Aciéries et Forges de Firminy, and the principal concerns in Lorraine, *e.g.*, de Wendel. Mutual interests exist between several of these groups, *e.g.*, between Schneider and de Wendel; while the St. Chamond concern, as well as the Schneider and de Wendel concerns, have also mutual interests, into which Belgian works have entered, in Luxemburg. The companies have also secured control, as a rule, of the sources of their chief raw materials, and obtained control of, or interests in, concerns which are utilisers of their products. The Schneider company owns, or participates in, coal and ore mines, iron and steel works, firms manufacturing ships, electrical machinery, guns, dredgers, machine tools, electrical plant, boilers, optical and scientific instruments. The degree of collaboration in the French engineering industry is illustrated by the acquisition of the Thyssen works at Hagondange in 1919 by a group of consumers, *i.e.*, a score of large automobile and other engineering firms.

That the extent of these arrangements is national is shown by the fact that the concerns in which Schneider has strong interests are found in places as widely apart as Creusot, Paris, Chalons, Bordeaux, Cherbourg, Caen, Havre and Joeuf; the St. Chamond company has still its original works in the neighbourhood of St. Etienne, but has very important works at Bayonne, in Lorraine, at Maubeuge, and at Hautmont. Their international extension in some cases is also considerable, not only in Luxemburg and Belgium, but also in Czechoslovakia, Austria, Roumania and Poland.

The de Wendel Company, which is the oldest and most important concern in Lorraine, employing more than 35,000 men, has interests in ore mines, coke ovens, pig iron and steel works, locomotive and railway stock works, etc.

3(b) Coal.—In the coal industry the leading concerns have been converted from private to public companies, have largely increased their capital, and have absorbed one or two of the smaller concerns.

3(c) Electrical Industries.—The electrical industries afford another illustration of the tendency towards consolidation or combination. It may be affirmed that this industry, on its productive as distinguished from its distributive side, is controlled by quite a small number of firms, that the producing firms have mutual interests or interlocking directorates, and that, even as regards distribution, the producing companies are almost inextricably intertwined with a large proportion of the distributing companies. Interests are held by some companies in foreign kindred undertakings, or vice versa.

3(d) Aluminium.—Vertical organisation is also to be observed in the aluminium industry.

3(e) Chemical Industries.—Consolidation has also greatly developed since the war in the chemical industries.

The most important event in the chemical world during 1923 was the absorption of the national French Dyestuffs Corporation (Compagnie Nationale) by one of the two principal concerns in the heavy chemical industry, viz. : Les Etablissements Kuhlmann. This fusion brings under one control two outstanding French concerns, and concentrates under single direction the production and marketing of almost the complete range of chemical products, from mineral acids and intermediates to dyestuffs and drugs, including commodities in such great and constant demand as fertilizers, sulphates and glues.

The output and sale of potash also supplies an instance of the complete vertical consolidation of an industry. Other kindred industries, such as the soap, oil seeds and candle industries, are also understood to maintain close relations.

3(f) Textiles, etc.—In the cotton and woollen industries combination has not been much in evidence, although manufacturing units are becoming larger, and firms in adjacent and complementary branches (*e.g.*, spinners and weavers, weavers and finishers) often hold mutual interests; but in the hemp and jute working trades a few very large concerns predominate. Working agreements are said to prevail in certain branches of the paper trade. The cinema industry is monopolised by a few powerful firms. In some food trades, such as the sugar industry, a few firms also predominate.

3(g) Transport.—The recital of tendencies towards combination and consolidation in numerous other French industries would be tedious, but reference should not be omitted to the similar tendency in the transport industries. It has been exemplified on the largest scale by the State-impelled and State-sanctioned scheme whereby the main railway systems of France are pursuing a policy of co-ordination and of centralisation. It has already led to many technical and other improvements, and has brought about the unification of freight rates. Local consolidation of transport undertakings on a large scale has also been illustrated within a recent period by the unification of the direction and working of the Paris tramways and omnibuses. The increasing extension of the system of local autocar services covering districts within a certain radius of railway stations, as well as of long-distance services, both of which are being developed by the main lines, involves in numerous instances the supersession of the local light railways and other local services, and also demonstrates the tendency towards larger units. The shipping companies have also shown the tendency towards concentration in few hands, and working agreements on certain points are stated to be in operation.

3(h) Distributive Trades.—In conclusion, it may be observed that concentrative tendencies have shown greater vigour than formerly in the French distributive trades. Practically all the Paris " departmental " stores, more than one of which appears

to be larger than similar stores in London, are engaged in enlarging their already great undertakings, and in the provinces their hold, already strong, is growing stronger. The general store of the multiple type, although not prominent in Paris, save in one or two specific trades, is now familiar in several regions under the title of "Docks" (*e.g.*, Docks remois, Docks de l'Ouest. The co-operative distributive movement has made progress in certain industrial and mining centres, although it is still much smaller than the movement in Great Britain, with its four to five million adherents.

4. EXTERNAL TRADE.—IMPORTS AND EXPORTS.

Imports and Exports.—Although it is not easy to give an accurate comparison of the foreign trade of France of the last few years with that of the year 1913, the following table offers some basis for comparison. The imports figures for 1923 and 1924 are "declared values." All other figures are "valeurs arbitrées" fixed by the Commission des Valeurs.

4(a).

IMPORTS.

(Values in Million Francs.)

—	1913.	1922.	1923.	1924.
Food	1,817	5,834	7,498	8,906
Raw materials	4,946	14,044	20,814	26,138
Manufactures	1,658	4,052	4,377	5,088
TOTALS	8,421	23,930	32,689	40,132

EXPORTS.

(Values in Million Francs.)

—	1913.	1922.	1923.	Jan. to Sept. 1924.
Food	839	1,882	3,190	3,996
Raw materials	1,858	5,807	9,343	10,553
Manufactures	3,617	12,272	16,239	24,861
Postal parcels	566	1,418	1,661	2,064
TOTALS	6,880	21,379	30,433	41,474

The apparent unfavourable balance of *visible* exchanges amounted in 1923 to 2·2 milliards, as against 2·6 milliards in 1922, and 1·5 milliards in 1913. In 1924 there was a favourable balance of 1·3 milliards. In any comparison of this kind, however, the different methods of the calculation of values should be

borne in mind. It should, moreover, be remembered that *invisible* exports have an important effect on the French trade balance, owing to the magnitude of the tourist traffic. The percentage of imported raw materials to the total of imports expressed in values was 63 per cent. in 1924, 61 per cent. in 1923, 59 per cent. in 1922, 52 per cent. in 1921, and 59 per cent. in 1913.

The big increase in the figures for imports of raw materials for 1923 is due to the rise in the imports of raw cotton and wool and oleaginous materials, and of coal and coke.

4(b) Percentages of Different Countries.—The following table shows the percentage of the total exports and imports falling to the countries mentioned, in 1921, 1922 and 1923, as compared with the average percentage for the years 1909-13.

PERCENTAGES OF TOTAL EXPORTS AND IMPORTS.

Country.	EXPORTS.				IMPORTS.			
	1909–13.*	1921.	1922.	1923.	1909–13.*	1921.	1922.	1923.
United Kingdom...	20·8	16·1	18·6	20·2†	13·0	13·0	13·5	16·1†
Belgium ...	16·4	16·4	18·8	19·1	6·7	7·6	7·4	7·4
Germany ...	12·7	9·5	9·2	3·6	12·0	11·5	6·0	3·2
Algeria ...	7·7	7·1	8·0	6·8	5·0	4·9	4·1	3·8
United States	6·8	11·1	9·4	8·2	10·4	15·6	15·8	15·5
Switzerland...	6·1	5·5	4·6	6·9	1·8	2·0	2·0	1·9
Italy... ...	4·8	3·5	3·7	3·9	2·6	2·7	3·2	3·8
Argentina ...	2·7	1·4	1·5	2·0	4·4	3·2	4·1	3·9
Spain ...	2·2	2·8	2·4	2·9	2·9	2·2	1·5	1·9
Tunis ...	1·5	1·3	1·2	1·4	1·0	1·1	0·9	0·9
Morocco ...	0·7	2·4	2·2	1·6	0·2	0·4	0·3	0·4
TOTALS ...	82·4	77·1	79·6	76·6	60·0	64·2	58·8	58·8

4(c) Important Alterations in Trade.—It will be useful to isolate prominent recent alterations in tendencies of trade as affecting French production for foreign markets and her growing emancipation from dependence on the production of other countries.

Although the recovery of Alsace and Lorraine doubled the *ore* capacity of France, the volume of the export trade in 1923 was still below 1913, when the quantity of ore exported was 10·3 million metric tons. Exports, however, amounted in 1924 to 12·3 million tons, and in 1923 to 10 million tons, as against 9·4 millions in 1922, and 5·3 millions in 1921. Political events led to a considerable fall in exports to Germany (167,000 tons in 1923

* Annual average.

† This figure relates to "Great Britain" only.

and 1·2 million tons in 1924, as against two millions in 1922, and, in fact, the great falling-off in German trade, when compared with the immense pre-war sales from the Briey basin to that country, is far from being made good by exports to the Belgium-Luxemburg Customs Union, which took 6·4 million tons in 1923 and 7·7 million tons in 1924 (2·4 millions in 1922). France no longer requires German *potash*, and Alsatian potash is becoming of increasing importance as an export, being of especial utility to French shipping by producing heavy freight. In 1924 Alsace exported 694,000 tons, and in 1923 660,000 tons of various classes of potash salts, as against 618,000 in 1922, 276,000 in 1921, and insignificant quantities when the mines were in German territory. An agreement has recently been reached between French and German producers of potash whereby the former secure 37½ per cent. and the Germans 62½ per cent. of all exports to the United States. A considerable displacement has occurred as regards the *textile* trade of Eastern France and Alsace, especially of Alsace, which has perforce directed its particular attention to the French home and colonial markets. Formerly, as a member of the German Customs Union, Alsace looked for its main market to that territory.

France has succeeded in the last few months in obtaining *shipbuilding* orders in foreign countries, even in competition with Great Britain. One St. Nazaire company is building an oil-driven liner of 16,000 tons gross for a steamship company of Amsterdam; and another St. Nazaire company has secured orders from two Norwegian shipping companies for a mixed passenger and cargo steamer of 6,800 tons gross, and for two Diesel motor vessels of 8,500 tons each. The latter shipbuilding company has also recently launched a cable-laying vessel of 2,200 tons for a telegraph company. These successes of French shipbuilding, which were welcome to a depressed industry, were no doubt due to the depreciation of the franc, which enabled French firms to submit lower tenders than their British, Dutch and other competitors.

The noteworthy development of the French *dyestuffs* and *chemical* industries since the war has enabled France to free herself to a very considerable degree from her dependence on German imports for extensive ranges of dyes. These dyes are now being produced by French firms whose technical proficiency has been and is being improved, owing to the acquisition of the experience of the German industry, and whose commercial progress also will be much forwarded through the fusion in 1923 of two leading firms in different branches of the trade, referred to in section 3(e) above. It is estimated that France can now produce about 90 per cent. of the range of the dyes she requires, the balance consisting of special dyes which she is not yet able to manufacture. Independence of foreign imports of certain important fertilisers and other chemicals is anticipated. The production of synthetic ammonia is to be undertaken by the State, which has approved a Convention concluded in 1919

with the Badische Anilin und Soda Fabrik, and is about to construct plant for the manufacture of the product by the Haber process at the Toulouse National Powder Factory. State production will be seconded and possibly surpassed by private efforts on a large scale by leading chemical and mining groups. It may be noted that exports of products derived from the distillation of coal tar rose from about 2,300 tons in 1921 and 1922, and 26,000 tons in 1923, to 36,000 tons in 1924, while exports of prepared dyestuffs amounted to 8,470 tons in 1924, and 6,000 tons in 1923, as against 3,245 tons in 1922 and 4,947 tons in 1921.

In the *metallurgical* and *engineering* industries similar progress may be noted. A case in point is the manufacture of machine tools. Imports are steadily declining (12,612 tons in 1923, as against 19,319 and 30,695 in 1922 and 1921 respectively), while exports are expanding (6,203 tons in 1923, 3,770 in 1922, 5,787 tons in 1921). The export of special steels has fluctuated violently during the past three years, amounting to 420 tons in 1924, 2,437 tons in 1923, and 579 in 1922, but in 1923 imports also were largely in excess of the 1922 and 1921 figures, and were still higher in 1924. France is likewise increasing her electric furnace steel production, her agricultural machinery output, and the output in several engineering trades (such as wood-working machinery, motor engines, etc.). The expansion of the *artificial silk* industry is proceeding at a rapid rate. Several new factories are being built in the Lyons area and in the North. Within a few years France should be practically independent of artificial silk imports. Similar replacement of foreign imports by national production has taken place through the establishment of foreign manufacturers in France (*e.g.*, in the case of agricultural tractors, rubber goods, oil refining, electricity meters, thread-making, safes, electrical equipment, water turbines, steam turbines, automatic brakes), or through the selling by foreign manufacturers of the rights of manufacture in France to French undertakings.

The *woollen* industry has enjoyed unbroken prosperity since the end of 1921. Several new factories have been established and pre-war works have been remodelled and in many cases extended.

The volume of exports of woollen tissues from France in 1923 and 1924 exceeded that for 1913, the weight in tons for the last four years and for 1913 being as follows :—

1913	1921	1922	1923	1924
23,408	15,571	18,204	25,506	34,472

Exports to the United Kingdom during the same years are shown by the following figures in tons, viz :—

1913	1921	1922	1923	1924
7,691	2,763	3,697	6,983	9,403

The quantity exported to the United Kingdom in 1924 was greater than in 1913. There was also a considerable increase in

1923 as compared with 1921 and 1922, due in large measure to the depreciation of the franc in relation to the pound sterling.

The volume of exports of *cotton piece goods* has not been commensurate with the increase in productive capacity due to France's acquisition of the looms in Alsace. In 1924 it amounted to 67,109 tons, in 1923 to 44,453 tons, and in 1921 to 58,654 tons, as against 55,355 tons in 1913. Trade in cotton piece goods with Argentina and Brazil is growing rapidly, and there has also been a satisfactory increase in exports to French colonies, especially Algeria.

So far as the present economic situation admits of definite conclusions, France is strengthening her position as an exporter of raw materials and of manufactured products; she is endeavouring with success to free herself from her dependence on foreign production for many raw materials for her agricultural industry (*i.e.*, fertilisers, more especially nitrogenous manures) as well as for manufactured goods; and her system of production (modernisation of plant, greater size and combination of units, better comprehension of foreign trade and improved organisation in the staple industries) has developed as a whole in a way which has almost brought her abreast of the United Kingdom, the United States and Germany.

4(d) Principal Customers of France.—Great Britain and Belgium (with Luxemburg) continue to be the most important customers of France, and in 1923, as in previous years, there was little difference in the value of their respective purchases of French goods. For the three years 1921-1923 the average values of French exports to Great Britain and Belgium amounted to 4,431 and 4,357 million francs respectively, as compared with 1,317 and 1,037 millions in the five years 1909-1913.

4(e) Development of Export Organisation.—In the metallurgical industry an important company for the promotion of export trade is the *Société Longovica*, which was founded in 1921 by the well known *Aciéries de Longwy*, and has a capital of 20 million francs. It acts as an export agency for a dozen firms with a total capital of about 360 millions. It has sought openings in various countries, notably in South America, and has opened offices in Argentina, Brazil, India, China and Spain.

The great Schneider firm has founded, in co-operation with the *Banque de l'Union Parisienne*, a company entitled the *Union Européenne et Financière*, through which it has acquired interests in many undertakings in Central and South-Eastern Europe, *e.g.*, in the Skoda Werke in Czechoslovakia, and has thus strengthened its influence in those markets.

Schneiders have conceded exclusive selling rights in certain parts of the world to companies like the *Compagnie Framerican* of Paris, which has a monopoly for the sale of Schneider products in North America.

Among other export sales organisations in the metallurgical industry may be mentioned *Nortrilor*, which sells for export the products of the group of iron and steel works of the North and East, and the *Compagnie de Dépôts et Agences de Vente d'Usines Métallurgiques*, which sells in France and in French Colonies and Protectorates the products of a number of important firms, among others the *Compagnie de la Marine et d'Homécourt* (St. Chamond) and the *Aciéries de Rombas*.

In 1923 the French Engineering Federation decided to found an Export Comptoir to assist its members in their export trade and to facilitate exports credits.

In the textile industries the Cotton Federation, the Central Wool Committee and the recently founded Silk Federation are organisations which combine the interests of the trades which they represent by bringing influence to bear on the French Government and by assisting their members in the expansion of their export business.

Nothing definite has yet been done to set on foot an export credits organisation, though it has been the subject of frequent discussion. The *Banque Nationale Française de Commerce Extérieur* has afforded great assistance to French exporters. It maintains a network of agencies in foreign countries, and it has developed an intelligence service, with the object of furnishing French traders with reports on the standing of their customers, on selling agents and on market conditions. It also assists them in the recovery of debts. Until the early part of 1925, it had working under its supervision the "Foreign Exchange Clearing Office," set up in February, 1924, to centralise the supply of and demand for bills involving payments at fixed dates.

Even a brief survey of French export organisations would be incomplete without a reference to the work of the French Department of Overseas Trade (Office National du Commerce Extérieur), and of the fifty-four Commercial Attachés and Agents in foreign countries. The Department, like the British Department of Overseas Trade, is divided into various sections, dealing with particular countries, particular commodities, status reports, etc. It invites enquiries from French exporters, supplies information obtained from its agents abroad and publishes both a weekly journal, the "Moniteur Officiel," and short reports on foreign countries In the journal attention is called to openings for French products, to dangerous foreign competition, to faulty methods which hinder the expansion of trade, and so on.

French export trade is also fostered by Chambers of Commerce abroad and by the so-called Commercial Offices in various foreign countries, which are subsidised by the French Government but managed by committees consisting exclusively of men of business, although the Commercial Attaché concerned is entitled to guide their activities.

Useful service is also rendered by the Foreign Trade Advisers (Conseillers du Commerce Extérieur) both in France and abroad. They are selected by the Minister of Commerce from manufacturers or merchants either at home or abroad who are specially acquainted with import or export trade. They receive no salary and are appointed for five years. Their function is to advise the Minister of Commerce and the French Department of Overseas Trade on any question on which they are specialists.

The official participation by France in foreign fairs and exhibitions, Rio-de-Janeiro, Prague, Lwow (Lemberg), Milan, etc., may also be mentioned as an indication of the efforts made by the French Government to promote export trade.

SWITZERLAND.

	1900	1910	1920
Population (resident)	3,315,443	3,753,293	3,880,320

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1922. (£1,000.)	1923. (£1,000.)
U.K. exports to Switzerland ...	1,277	4,212	9,896	7,288
U.K. re-exports to Switzerland	197	876	1,300	1,355
U.K. imports from Switzerland	7,454	11,070	21,709	19,426

Swiss Trade Returns. Special Trade. Merchandise only.	1904. (1,000 francs.)	1913. (1,000 francs.)	1922. (1,000 francs).	1923. (1,000 francs.)
Total imports	1,206,402	1,859,542	1,882,369	2,225,801
Imports from United Kingdom	57,293	93,136	168,020	175,021
Percentage from United Kingdom	4·7%	5·0%	8·9%	7·9%
Total exports	883,349	1,371,477	1,688,050	1,716,107
Exports to United Kingdom ...	171,570	236,164	345,598	363,365
Percentage to United Kingdom	19·4%	17·2%	20·5%	21·2%

Currency.—The unit of currency is the franc. The par rate of exchange is 25·22 francs = £1. The annual average rates of exchange during the past five years have been as follows :—

1920	21·719	1922	23·236
1921	22·254	1923	25·229
	1924	24·254	

1. FINANCIAL STABILITY.

Since 1914, the Swiss Budget has shown a deficit each year; in 1921 the deficit was 128 millions of francs, in 1922, 79 millions, and in 1923, 45 millions. The budget for 1924 shows a very considerable improvement on the position in the years immediately preceding. The estimated receipts for 1924 are 256·9 million francs, and the estimated expenditure 295·2 million, leaving a deficit of 38·3 million francs.

In addition to the general budget there is one dealing with the Federal railways, and the estimated deficit on the year's working for 1923 was over 25 million francs. Traffic improvements, however, increased receipts to such an extent that the 1924 budget will almost balance; while, if receipts continue to increase, it is expected that some of the huge deficit accumulated during the war will be paid off.

2. FINANCIAL BURDENS AND CREDIT CONDITIONS.

In recent years subsidies to industries and to agricultural and social enterprises have been a heavy charge on the State's finances. In 1923 they amounted to 55 million francs. The allowances under this heading for 1924 have been reduced to 47·8 millions. The total net public debt of Switzerland at the end of 1923 was about 1,600 million francs, or about 410 francs (£16) per head of population.

Generally speaking there is plenty of money available for industrial purposes in Switzerland, and credit is not difficult to obtain.

3. ECONOMIC DEVELOPMENT.

Water Power.—A number of electric power enterprises in Switzerland obtain their energy from the abundant water supplies which exist throughout the country, and a certain amount of new construction has been carried out in recent years. The consumption of power by industrial concerns has not, however, provided the various companies with sufficient outlets, owing to the stagnant and depressed conditions in many industries.

The progress made during the past year in the electrification of the Swiss railways, which are mainly State owned, was important. In order to relieve unemployment, work has been undertaken in advance of the programme, and it is thought that the whole system will be operated by electric power several years earlier than was originally planned.

On the 1st August, 1924, 611 kilometres of the Federal Railways had been electrified, and it is expected that this total will be increased to 1,529 kilometres by 1928.

It is estimated that the use of electricity from water power will result in the saving of 450,000 or 500,000 tons of imported coal per annum.

* No important new lines are being built at present, though various local extensions are contemplated.

4. INDUSTRIAL POLICY.

The Swiss industrialists have had to meet a very troublesome situation in recent years, and most of them have experienced hard times. Surrounded by countries with depreciated currencies, Switzerland has found only a restricted demand for her goods in her usual markets, and this, coupled with the fact that several of her industries are devoted to the manufacture of articles of luxury, has led to chronic unemployment. There has consequently been little development of her domestic manufactures, except in the machinery and electrical industries, which have taken advantage of the situation to improve the commercial and technical side.

5. EXTERNAL TRADE.

The following tables show the total import and export trade of Switzerland in 1913 and in the last three years. The high costs of production, coupled with a high valuta currency, have prevented any large development of the export trade.

IMPORTS (1000 francs.)

—	1913.	1921.	1922.	1923.
Food	599,255	880,103	566,241	634,665
Raw materials	685,602	695,357	728,837	854,061
Manufactured articles ...	634,959	720,829	619,387	754,355
TOTALS* ...	1,919,816	2,296,289	1,914,465	2,243,081

EXPORTS (1000 francs.)

Food	201,054	154,301	145,507	144,698
Raw materials	152,779	498,419	210,628	169,786
Manufactured articles ...	1,022,566	1,487,415	1,405,439	1,445,727
TOTALS* ...	1,376,399	2,140,135	1,761,574	1,760,211

The *watchmaking* industry has suffered very severely in recent years, and in 1921 the State considered it necessary to grant a subsidy of eleven million francs in order to prevent a collapse. During 1923 and 1924, however, exports of watches and clocks and watch movements have increased considerably, the United Kingdom and United States being the principal purchasers. The scheme of State aid was suspended in October, 1924.

* The figures include bullion.

The silk and silk ribbon industry has passed through a period of deep depression. The formerly important market for Swiss silks in Germany has practically ceased to exist, while France and Belgium have purchased smaller quantities. The United Kingdom and Canada are the principal importers of silk goods from Switzerland. French competition has made it difficult for Swiss silk ribbons to enter continental markets: indeed, French ribbons are placed even on the Swiss home market at prices considerably below those of the native-made article.

The *embroidery* industry has also passed through a period of great difficulty. Out of a subsidy of five million francs granted by the State, four millions have already been expended; and the policy of financial reorganisation undertaken by the manufacturers with the aid of the State is now practically complete. There are signs that the industry has weathered the worst of the crisis, though conditions are still far from satisfactory.

The following table shows the Swiss exports of embroideries during the first six months of 1913, 1923 and 1924 respectively :—

1913.		1923.		1924.	
Tons.	Francs	Tons.	Francs.	Tons.	Francs.
4,700	113,642,000	2,050	80,227,000	2,139	91,412,000

The character of the exports has altered very much during the course of the last ten years. There is a marked decrease noticeable in the case of certain goods, such as trimmings (bands and insertions), whereas other goods, such as embroidery on lappet muslin, are being exported in much larger quantities than formerly. The cotton and linen to be embroidered are imported chiefly from the United Kingdom, so that lack of orders for embroideries means a falling off in demand for the raw material.

The *hotel* industry, which depends mainly on visitors from other countries, fared very badly during the war and the years immediately following. In 1922, the Government obtained authority to grant subsidies amounting to five million francs to assist the industry. Tourist traffic has, however, increased during the past two years. The number of visitors, however, is still far too small to bring general prosperity to the industry.

Generally speaking, Switzerland does not offer a large field for British goods. The competition of certain Swiss goods in foreign markets, principally machinery, electrical goods, chocolate, watches and clocks and embroidery, is formidable.

The Swiss also have an important dye stuff industry which is in a fairly satisfactory position, the aniline dyes being exported chiefly to France, the United Kingdom, the United States, Belgium and Japan. A considerable quantity of indigo (synthetic) is exported, China being the principal customer.

6. COMMERCIAL POLICY.

Switzerland is protectionist, though the tariff is not excessively harsh in its application. A policy of import licences has been in force for the past few years; but this is regarded as a purely temporary measure, and unsuccessful attempts have been made on one or two occasions to fix a date after which it should cease to operate.

Under present legislation the system of import licences remains in force until the end of March, 1926.

Except leather and leather articles, for which a specific licence is required, goods are admitted under general licence across the Franco-Swiss and Italo-Swiss frontiers. On the other frontiers many more classes of goods require specific licences.

ITALY.

	1901	1911	1921
Population ...	32,475,253	34,671,377	38,710,576

(The figure for 1921 includes the new territory, but not Fiume.)

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Italy	8,371	14,610	19,409
U.K. re-exports to Italy	851	1,012	2,145
U.K. imports from Italy	5,936	8,127	14,295

Italian Trade Returns. Special Trade.	1904. (1,000 lire.)	1913. (1,000 lire.)	1923. (1,000 lire.)
Total imports...	1,913,735	3,645,639	17,198,460
Imports from United Kingdom ...	319,661	591,776	2,189,745
Percentage from United Kingdom	16·7%	16·2%	12·7%
Total exports	1,597,220	2,511,639	11,059,488
Exports to United Kingdom ...	133,787	260,501	1,200,220
Percentage to United Kingdom ...	8·4%	10·4%	10·9%

Currency.—The unit of currency is the lira. The par rate of exchange is lire 25·22 = £1. The annual average rates of exchange during the past five years have been as follows :—

1920	76·833	1922	93·837
1921	90·961	1923	99·597
1924	101·327		

1. GENERAL.

1(a) Effects of Territorial Changes.—It is not considered that these will appreciably affect British trade, at least for some time. The new territories acquired through the war are chiefly mountainous, and the demand for British goods is not great at present. It may increase later if and when the many proposed hydro-electric schemes are finished, with a resultant growth of industries.

2. FINANCIAL.

2(a) State Finances.—Before the war Italy was able to balance her budget, and there is reason to hope that, after a succession of years when there were large deficits, she is returning to the pre-war position. In 1923-24 the deficit was reduced to 418 million lire, and it is estimated that the budget will balance in 1924-25. This result should be attained provided the continuance of tranquillity can be assured to the country. Revenue is increasing, and, given a further period of internal and external peace, the country should be able to re-establish its finances on a sound basis.

Taking into consideration the lack of national wealth and the limited capital resources, the burden of taxation is much heavier on the individual and the country as a whole than the per capita figures might lead one to suppose.

At the end of 1923 the Italian National Debt amounted to 118,000 million lire, composed of funded debt, 60,000 million lire, floating debt, 36,000 million and foreign loans, 22,000 million. The population is roughly 40 million, so that the debt per capita amounts to 2,950 lire, or about £29 10*s*.

2(b) Credit Conditions.—The sterling exchange remained comparatively stable (*i.e.*, roughly between 90-105 lire to £1) from June, 1922, until nearly the end of 1924; and during this period the proportion of bad debts has probably been no higher than before the war.

The burden of taxation, and in particular the increased efforts which are being made by the Government to collect the capital tax and the remaining instalments of the war profits tax, are seriously affecting the financial position of many firms. This need not, however, be regarded as a serious impediment to British trade if the necessary precautions are taken.

The official bank rate during 1923 and 1924 remained unaltered at 5½ per cent. The cost of private loans is said to be from about 8 per cent. upwards.

3. ECONOMIC DEVELOPMENT

3(a) Mining.—There is relatively little mining wealth to exploit. A little iron, zinc, lead, copper, quicksilver, lignite and asphalt are found in the country and, though exploited to the full, cannot be said to represent a considerable source of wealth. Marble is quarried in Tuscany to meet home and foreign demands, while in Sicily sulphur mining is a considerable industry, which is just beginning to pay its way after the post-war slump.

A small quantity of petroleum is extracted from the soil, and an effort is being made by extensive surveys and boring tests to discover this material in greater quantities.

It may be said that the Italians are trying to develop their limited mineral resources to the fullest extent possible, but there is nothing in this development to affect the scope and character of British trade. A certain amount of machinery or tools for mining is imported from the United Kingdom in competition with importations from other countries and with home made products; there is nothing to indicate an increased demand in the future; and the share falling to British trade depends solely on price and salesmanship.

3(b) Agricultural and Pastoral Industry.—This is the most important individual industry in Italy, in the sense that it gives employment to more people than any other. In certain districts intensive cultivation is carried on, and by means of irrigation and land reclamation waste territories have been recovered on which good crops are raised. Taking the country as a whole, however, the average crop per acre is relatively small in comparison with other more fertile countries. Italy is not self-supporting in wheat, her staple diet, and is unlikely ever to become so. On the other hand, her fruit and nut crops are among her chief sources of national wealth, as she largely exports oranges, lemons, tomatoes, chestnuts and similar products.

The nature of the surface of the soil necessitates farming in many districts with more or less primitive instruments. At the same time the demand for expensive agricultural machinery is tending to increase. The market for such machinery is divided between foreign manufacturers and home producers. The principal countries sending agricultural machinery to Italy are, in approximate order of importance, Germany, Austria, U.S.A., Czechoslovakia, France, Great Britain and Belgium. During the year 1923 and in the first six months of 1924 Great Britain secured only about 3 per cent. of the total imports, almost entirely because her prices were not competitive.

3(c) Water Power.—This is one of the natural resources with which Italy is well provided, and a large and growing hydro-electric industry has sprung up. The total potential energy from this source is estimated at not less than 5 million horsepower. By the end of 1923, the Government had sanctioned plans for

hydro-electric schemes calculated to produce 3,430,209 horse-power. It is estimated that these schemes are in working order to at least 60 per cent. of their capacity. The capital sunk in these enterprises is over 3,000 million lire.

The electric energy developed in Italy is claimed to be equivalent to that derived from imported fuel. Since, however, all new power, as soon as it is available, is absorbed for lighting or for new industries, fuel imports do not decrease; and it is not considered likely that, for some time at least, hydro-electric development will render Italy independent of coal, or even materially reduce coal imports.

3(d) Railways.—The railway system is capable of improvement; but, owing to the configuration of the country, extensions and new lines are very expensive. The schemes for electrification are advancing slowly, and for the time being are confined to mountainous country where electric traction has an advantage over steam. The railways are run at a serious loss to the State, but there seems to be a growing improvement in this respect. The deficit for 1923 was 906 million lire, as compared with a deficit of 1,257 million lire in 1922. Only the future can show whether the railway budget can be made to balance.

The necessity of giving employment, even on a small scale, to home industries has induced the Italian Government since the war to place its orders for renewals of locomotives and rolling stock with Italian firms, with the exception of a certain number of locomotives purchased in Germany on reparation account. There is no chance whatever for British trade in these products.

3(e) Roads.—Italy has a few good roads and many of a primitive character. The money to improve old roads or to construct new ones is hard to raise. A certain amount of road building or repairing is going on, but these developments are not likely to result in any orders for British goods.

3(f) Mercantile Marine.—Before the war the Italian merchant service was inadequate for the amount of trade to be borne. In 1914 Italy possessed a merchant fleet of one and a half million gross tons, of which nearly 60 per cent. was lost through enemy action during the war. Since the war, as a result of new construction and the acquisition of ex-enemy ships, the tonnage of the Italian merchant fleet has grown to more than 2½ million tons.

4. INDUSTRY.

4(a) Industrial Policy and Development of Domestic Manufacture.—Being a relatively poor country agriculturally and having few mineral resources, Italy has been forced to adopt the policy of developing her industries in order to provide a livelihood for her large and growing population. These industries are handicapped by the necessity of having to import most of their raw

materials and practically all their fuel. On the other hand they are favoured by relatively cheap labour, by technical skill and experience, and, in certain areas, by an abundance of water power. The country is still suffering from the difficulties attendant on the conversion of her war industries to a peace basis, and, with the exception of artificial silk, no new industry has been started since the war. In the first part of the year 1924 some industries, such as the metallurgical, were still suffering from the post-war crisis and may be said to have been carrying on so as to avoid adding to unemployment; while others, such as the chemical and textile industries (artificial silk excluded), were making relatively small profits. Recently, however, there has been a notable revival of activity, especially in the textile industries, which are working full time, and there are reasonable expectations that, provided industrial peace continues, this activity will persist. The restriction of emigration to the United States aggravates the problem of the surplus population, and the ever present possibility of a great unemployment crisis forces the Government to interest itself in industry. This interest is shown by a protective tariff, which was revised and brought up to date in 1921, and by various customs concessions in favour of special industries. The tariff, while not sufficiently onerous to exclude entirely the importation of foreign goods, gives an amount of protection adequate to enable many industries, and in particular the metal industries, to subsist and to share the home market with the foreign importer.

4(b) Estimate of Effect on British Trade.—The growth of national industry has certainly had a serious effect on the potential expansion of British trade on the Italian market, especially in combination with the diminished purchasing power of the country, due to exchange depreciation and severe taxation, which obliges the Italian to content himself with a cheaper article, even though it be of inferior quality. This has been felt in connection with such products as woollen, linen and cotton tissues, machinery (especially electrical), tools, chemicals (especially fertilisers) and the ordinary qualities of steel. On her own market Italy is one of Great Britain's most formidable competitors for the cheaper grade articles, whereas for the higher grade and special goods British exporters can still do business, which will increase or decrease in proportion to Italy's prosperity and purchasing power.

5. EXTERNAL TRADE DEVELOPMENT.

The same factors which impel Italy to develop her industries—namely, comparative poverty of natural resources and density of population—also oblige her to make every endeavour to extend her foreign trade and to find new markets. The actual volume of trade in 1923 was, however, appreciably below that in 1913 when allowance is made for the rise in prices.

Before the war Italy relied on her "invisible exports" to correct her trade balance, these invisible exports being chiefly represented by emigrants' remittances and by the proceeds of

the tourist traffic. After a period of years during which the balance of trade was extremely adverse, there is evidence that it has once more corrected itself, principally because the invisible exports have recovered their volume and importance, but partly also because the visible excess of imports over exports tends to diminish. For instance, during the first nine months of 1924, as compared with the corresponding period of 1923, imports increased by 1,112 million lire, while the increase in exports by a similar comparison was 2,458 million lire.

As regards competition in foreign markets, while Italy is not such a formidable competitor with this country as, for instance, Germany, France, Belgium, the United States or Japan, there can be no doubt that she is a serious rival in respect of the cheaper qualities of certain articles, such as cotton piece goods in the Balkans and Near East, and motor cars in Western Europe generally.

In 1913 the countries with which Italy did the greatest volume of trade (import and export) were, in order of importance, Germany, Great Britain, United States, France, Austria-Hungary, Argentina, Switzerland, Russia and British India.

In 1923 the United States took first place, principally on account of the large imports into Italy of wheat and cotton. Italy now obtains from the United States much of the grain which she previously bought from Russia. The value of Italian exports to the United States has also increased.

Great Britain retained second place, mainly on account of the coal which she sells to Italy, and also on account of an increase in the value of exports from Italy. Her proportion of the total trade has, however, diminished.

France came third, Italian exports to that country exceeding imports therefrom. In 1913 imports exceeded exports.

Germany was fourth, Italy exporting to that country in 1923, as in 1913, a little more than one-half in value of what she imported.

The Austro-Hungarian Succession States in 1923 remained fifth on the list and Argentina and Switzerland retained their places as sixth and seventh respectively.

Trade with Russia in 1923 being negligible, India took eighth place in that year. The value of Italo-Indian trade expressed in gold lire has increased by about 57 per cent. since 1913. This is due to a large increase in the value of Indian exports (chiefly cotton) to Italy, Italian exports to India having actually decreased in comparative value.

5(a) Growth and Value of Exports as an Index to Import Capacity.—The following data refer to the most important manufactured articles which Italy exports and which may be in competition with British products. They show the markets in which the quantity of Italian exports has notably increased or decreased in 1923 as compared with 1913, and give in addition a comparison between the first nine months of 1923 and 1924.

Chief Italian Exports in 1913, 1923 and 1924.

Commodity.	Markets showing notable variation between 1913 and 1923	Unit.	Quantity exported.			
			1913.	1923.	1923. Jan.—Sept.	1924. Jan.—Sept.
Cotton tissues (unmercerized)†	Bulgaria	Quintal	4,028	16,335	11,264	11,453
	Roumania	,,	8,926	24,406	15,304	29,723
	Greece	,,	11,945	16,459	9,220	20,079
	Jugo-Slavia	,,	—	50,607	33,373	27,723
	Turkey in Asia	,,	62,332	15,254	9,109	15,355
	British India	,,	37,800	9,721	5,150	10,597
	Total Exports ...	,,	469,644	438,236	289,838	344,836
Motor Cars*	Great Britain and Ireland* ...	Number	937	2,677	1,994	2,494
	Australia*	,,	205	1,394	838	1,623
	Switzerland*	,,	103	1,146	875	1,740
	France*	,,	391	1,019	746	307
	Belgium*	,,	127	840	563	842
	Spain*	,,	36	727	526	1,271
	Germany*	,,	65	693	554	570
	Total Exports ...	,,	3,233	12,773	8,538	13,388
Cotton Yarns (unmercerized)†	Bulgaria	Quintal	4,932	31,255	23,385	18,874
	Roumania	,,	9,120	16,423	6,537	15,194
	Jugo-Slavia	,,	—	11,134	6,170	10,853
	Turkey in Asia	,,	22,277	5,016	3,709	2,420
	Turkey in Europe	,,	15,278	11,967	8,358	8,016
	Egypt	,,	10,153	5,699	3,658	4,229
	Total Exports ...	,,	143,572	122,164	80,199	126,561

* The particulars for 1913 *exclude*, while those for 1923 and 1924 *include*, commercial vehicles.
† The 1913 figures are approximate only, owing to the absence of a sufficiently detailed classification in that year.

Commodity.	Markets showing notable variation between 1913 and 1923.	Unit.	Quantity exported.			
			1913.	1923.	1923. Jan.—Sept.	1924. Jan.—Sept.
Sewing Cotton...	Jugo-Slavia	Quintal	—	2,727	1,864	1,274
	Turkey in Europe	,,	314	856	529	390
	Greece	,,	4	527	394	352
	Roumania	,,	24	482	381	673
	Bulgaria	,,	9	195	154	112
	Egypt	,,	112	245	240	174
	Total Exports ...	,,	1,349	6,911	4,921	4,211
Hats (Men's Felt)	France	Number	134,221	571,664	364,851	296,813
	Belgium	,,	158,495	330,268	214,139	220,685
	Dutch East Indies	,,	196,385	359,316	198,797	291,199
	Colombia	,,	206,751	376,414	276,042	224,061
	Switzerland	,,	131,907	215,940	153,766	75,448
	Great Britain and Ireland ...	,,	1,392,279	1,868,805	1,365,259	1,153,289
	Straits Settlements	,,	981,979	276,782	223,619	69,486
	Cuba	,,	421,652	210,738	122,225	101,332
	Germany	,,	321,030	—	11,655	44,243
	Roumania	,,	235,108	80,809	63,542	99,829
	Australia	,,	354,496	178,735	114,547	119,275
	Japan	,,	422,430	85,622	71,519	87,673
	Hongkong	,,	468,419	25,989	4,545	66,514
	Chile	,,	675,497	105,873	50,003	71,491
	Total Exports ...	,,	12,125,703	7,454,726	5,072,259	5,126,176
Rubber Tyres and Inner Tubes.	Great Britain and Ireland ...	Quintal	3,660	27,761	22,036	8,021
	Argentina	,,	1,220	3,282	1,543	2,993
	Belgium	,,	8,076	5,408	4,198	4,876
	Germany	,,	3,207	—	—	—
	Total Exports ...	,,	27,383	49,083	34,100	50,413

While the value of Italian exports has shown a steady increase since 1921, and is now, expressed in gold lire, comparatively rather more than in 1913, it is impossible to infer any considerable resultant increase in import capacity. There has been a certain alteration in the composition and character of Italian exports, as appears from the following comparison of the ten principal individual exports (total to all countries in order of value) in 1913 and the first half of 1924 :—

1913.	1924.
1. Thrown silk.	1. Thrown silk.
2. Cotton tissues.	2. Cotton tissues.
3. Silk tissues.	3. Oranges and lemons.
4. Oranges and lemons.	4. Cotton yarn.
5. Wines.	5. Cheese.
6. Cheese.	6. Silk tissues.
7. Raw ox hides.	7. Motor cars.
8. Hemp.	8. Hemp.
9. Dried fruits.	9. Silk waste.
10. Fresh fruits.	10. Eggs.
	11. Artificial silk (including waste).

6. COMMERCIAL POLICY.

6(a) Restrictive Measures.—Italy imposes a Customs duty on most articles coming into the country, for the purpose both of protecting home industries and of raising revenue. The present tariff was published in 1921, and has since undergone modification at the hands of Parliament and by commercial treaties with various countries. The benefit of the conventional rates provided for in these treaties extends to Great Britain, under the " most favoured nation " clause. The duties are highest for manufactured goods which compete with Italian industries, and lowest for raw materials and foodstuffs, many of which are free. Certain classes of machinery and articles necessary for agriculture, or particular industries, or districts, are also admitted free, and semi-manufactured articles for use in certain industries enjoy a drawback on re-export.

The rates of duty are not in general prohibitive, and the new tariff has not in practice substantially diminished British imports, taken as a whole, though it has undoubtedly affected certain commodities.

6(b) Prospects of Modification.—It is not considered that there is any prospect that Italy will renounce her present commercial policy. Italy has still some commercial treaties to conclude, and these may result in certain tariff reductions of which Great Britain will get the benefit under the " most favoured nation " clause.

7. COMPETITIVE SITUATION.

The following statement gives a general view of the competitive situation in 1923, as compared with 1913, in regard to 14 representative products which, in both years, accounted for over 80 per cent. of the total value of British imports into Italy. The statement shows the quantitative changes in regard to (*a*) British imports into Italy; (*b*) total imports into Italy; (*c*) imports into Italy from principal foreign and other competitive countries

Coal and Coke.

(a) *British imports* : decrease.
(b) *Total imports* : decrease.
(c) *Foreign and other competitors* : German imports show an increase, chiefly due to delivery of reparations coal. Small quantities are imported from France and U.S.A.

Woollen Tissues.

(a) *British imports* : decrease.
(b) *Total imports* : increase of about 30 per cent.
(c) *Foreign and other competitors* : French imports show 100 per cent. increase.

Raw Wool (natural or in the grease).

(a) *British imports* : increase.
(b) *Total imports* : increase by more than 150 per cent. Increase mainly supplied by Australia.
(c) *Foreign and other competitors* : Australia, Argentina, British South Africa, Uruguay. (All increases.)

Wool (washed, carded, and combed) and Wool Waste.

(a) *British imports* : decrease.
(b) *Total imports* : decrease of about 25 per cent. The loss has been felt most by Belgium, France and the United Kingdom in that order.
(c) *Foreign and other competitors* : France, Belgium. (Decreases.)

Machinery.

(a) *British imports* : decrease.
(b) *Total imports* : decrease.
(c) *Foreign and other competitors* : deliveries from Germany, Switzerland and United States have decreased, while those from France have increased; Czechoslovakia is also a competitor.

Pig Iron.

(a) *British imports* : decrease.
(b) *Total imports* : decrease by nearly 50 per cent.
(c) *Foreign competitors* : French imports have, on the other hand, increased in this period.

Scrap Iron and Steel.

(a) *British imports* : increase.
(b) *Total imports* : increase by 30 per cent., mainly from France.
(c) *Foreign and other competitors* : France, Egypt and Austria (increase), Switzerland and British India (decrease).

Cotton Tissues.

(a) *British imports* : no change.
(b) *Total imports* : decrease of nearly 35 per cent.
(c) *Foreign and other competitors* : France, Germany and Switzerland, whose imports have all decreased, those from Germany by about 90 per cent.

Tinplate and other coated plates.

(a) *British imports* : decrease.
(b) *Total imports* : increase.
(c) *Foreign and other competitors* : increased imports have been from U.S.A. (whose imports are practically balanced by the decrease from the United Kingdom) and Germany, while imports from Belgium have decreased. Poland is also a competitor. The United Kingdom still holds a commanding position in the market.

Sheet Iron and Steel.

(a) *British imports* : decrease.
(b) *Total imports* : decrease of over 60 per cent.
(c) *Foreign and other competitors* : U.S.A., whose imports have increased seven-fold; Germany, Austria and Belgium, whose imports have decreased.

Tanned Hides.

(a) *British imports* : increase.
(b) *Total imports* : increase.
(c) *Foreign and other competitors* : Germany and France, whose imports have decreased; U.S.A., whose imports have increased to about half the amount from Great Britain.

Fish (dried, salted or smoked).

(a) *British imports* : increase.
(b) *Total imports* : increase by 25 per cent.
(c) *Foreign and other competitors* : Norway, France and United States, who have all increased their imports; Canada, whose imports show a decrease.

Cotton Yarns (other than Sewing Cotton).

(a) *British imports* : increased four-fold.
(b) *Total imports* : increase by about 50 per cent.
(c) *Foreign and other competitors* : France and Switzerland, who have increased their imports; Germany, who has, however, nearly disappeared from the market.

Sewing Cotton.

(a) *British imports* : decrease.
(b) *Total imports* : decrease of 25 per cent.
(c) *Foreign and other competitors* : France, who has increased her imports nearly 500 per cent.; Germany and Switzerland, both of whose imports have decreased.

With the exception of a few articles, Great Britain has to face competition from foreign countries and from Italian industries, and in these cases it may be said generally that there is no reason why she should not obtain a greater share of the market, provided she is in a position to comply with the market conditions.

The first and most important condition is price. Italy is not a country that can afford to pay a higher price for a superior article when an inferior article that will suffice for the purpose can be obtained more cheaply. The question of price must be faced, and means must be found to supply an article in the form suitable to Italian needs at a price not higher than that of the domestic manufacturer or foreign competitor. For many classes of imported goods, British prices are higher than those of their competitors; and, even though this may be due to better quality, it often practically excludes such goods from the market. Further, it must be borne in mind that trade can no longer be done by offering goods f.o.b. at a British port. For competitive articles price quotation free at consuming centres is essential.

The next condition is marketing organisation. Germany is such a serious competitor because she is ready to take more pains than the average British exporter. This criticism does not apply to British firms with an established agency in Italy or with an established trade with that country. It is new firms, wishing to open up trading relations, who are in an inferior position to the German. It is probably true to say that for every British subject trying to do business in industrial centres in Italy there are 20 Germans, while in outlying districts this disproportion is very much greater. These German representatives generally know the language, the likes and dislikes of the people, and they are in a position to distribute catalogues and price lists in the Italian language and to quote prices, if necessary, in Italian currency calculated on weights and measurements in the metric system. The Germans, therefore, have the advantage of a more efficient market organisation.

SPAIN.

	1900	1910	1920
Population ...	18,607,674	19,951,057	21,338,381

(Census figures, excluding Canary Islands.)

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Spain	4,338	7,852	10,523
U.K. re-exports to Spain	573	780	796
U.K. imports from Spain	13,920	14,394	19,577

Spanish Trade Returns. General Trade (including bullion and specie.)	1904. (1,000 pesetas.)	1913. (1,000 pesetas.)	1920. (1,000 pesetas.)
Total Imports	955,422	1,414,948	1,503,765
Imports from United Kingdom ...	173,292	244,669	213,815
Percentage from United Kingdom	18·1%	17·3%	14·2%
Total Exports	956,689	1,195,008	1,095,725
Exports to United Kingdom ...	309,725	231,571	218,704
Percentage to United Kingdom	32·4%	19·4%	20·0%

Note.—The Spanish values given represent "official" values. 1920 is the last year for which Spanish figures are available showing the distribution of foreign trade.

Currency.—The unit of currency is the peseta. The par rate of exchange is 25·22 = £1. The annual average rates of exchange during the past few years have been as follows :

1921	28·476	1923	31·774
1922	28·603	1924	33·151

1. FINANCIAL STABILITY.

The year 1923 showed little advance industrially and commercially on 1922. The two outstanding problems, Morocco and transport, remained—and remain still—to be solved. While important regulations have been introduced to render taxation more productive, and while the Budget deficit is considerably less than that for the year ended March 31st, 1923, a very large amount of floating debt remains unconsolidated, and developments are bound to be slow. With the arrival of the Military Directorate, rigid economy was insisted on by the Treasury, and their apparent determination to carry through a programme of complete reform undoubtedly gives a better prospect for the future.

The following table shows a comparison of the 1924-1925 Budget with that of 1922-1923.

	*1st April, 1922—31st March, 1923.	1st July, 1924 — 30th June, 1925.
Revenue.	Ptas.	Ptas.
Direct taxation	940,500,068	1,010,723,068
Indirect taxation	1,028,370,000	1,060,304,000
Monopolies and services ...	572,430,000	612,900,000
State properties and dues		
Income	23,300,000	38,845,500
Sales	420,000	418,000
Treasury means	52,027,000	54,650,000
Total revenue	2,617,047,068	2,777,840,568
Disbursement.	1922-23.	1924-25
Permanent services	2,492,412,836	2.570,635,871
Liabilities	4,130,942	4,661,965
Temporary and extraordinary services	461,502,746	366,427,057
Extraordinary expenditure in Morocco	86,075,777	
Total disbursement ...	3,044,122,302	2,941,724,894
Total revenue	2,617,047,068	2,777,840,568
Initial deficit	427,075,234	163,884,326
Real deficit	920,324,596	

The real deficit in the 1922-23 Budget was 920 million pesetas, and, although no figures have been published, it is estimated that the real deficit on the 1923-1924 Budget will not exceed 600 millions of pesetas, in spite of the fact that the Government have been obliged to issue nearly 834 millions of pesetas to meet the existing deficit and to repay part of the floating debt. The actual revenue obtained in the year 1922-1923 was 2,952,972,439 pesetas, as against 2,617,047,068 pesetas budgeted, and it is therefore possible that the revenue for 1924-25 may be more than has been estimated, should the normal increase be maintained. The reduction in expenditure in 1924-25, as compared with 1922-23, is shown above as having been estimated at about 102 millions, and the increase of income at about 160 millions. The initial or estimated deficit for 1923-1924 was 431 millions, and that for 1924-1925, 164 millions, a reduction of 267 millions.

1(a) National Debt.—The total Spanish debt on 1st January, 1924, amounted to 16,112 millions of pesetas, of which 12,365 millions is consolidated.

* The period of the official financial year was changed in 1923-24 from 1st April—31st March to 1st July—30th June.

2. ECONOMIC DEVELOPMENT.

2(a) Agriculture.—Spain is predominantly an agricultural country, upwards of 5,000,000 Spaniards, or nearly a quarter of her population; numbers far in excess of those employed in mining or manufacturing, being engaged in agricultural pursuits. Consequently, agriculture in Spain ranks in importance above all her industries, and on the development of this great natural wealth the future prosperity of the country largely depends.

The State created model farms as long ago as 1849, and, although it was many years before they were properly organised, a number of them are to-day of some importance in assisting agricultural development. During the last three or four years, local agricultural societies, by holding tractor trials and agricultural exhibitions, have done a great deal towards the conversion of the farmer to modern methods of cultivation. It will probably be many years before any great progress is made.

All the principal cereals are cultivated, and grapes, oranges, raisins, figs, onions, olives, olive oil, almonds and nuts are largely exported, together with great quantities of wine. Beet sugar is also extensively produced, and the cultivation of cotton has been commenced under Government protection, with results which are stated to be successful. The cultivation of tobacco has also been undertaken. The demand for esparto grass (used in the manufacture of paper) has been very keen in the Scottish markets.

The cultivation of cork has hitherto been one of the most important branches of Spanish agriculture, but during the last two years the increased use of the cork disk with a metal cover, instead of the ordinary cork, has hit the bottle-cork industry very hard. This industry required no elaborate machinery, and in many parts was carried on by the villagers in their own houses. Only the best-quality cork can be used in the disks, and the machine-made article is so vastly superior that competition becomes impossible. The demand for poor quality cork, for which practically the only market before the war was Russia, has practically ceased.

2(b) Coal.—The classes of coal produced are steam, bituminous and anthracite. The principal coalfields are those situated in Asturias, in the north-westerly portion of Spain, stretching from the coast into the province of Leon, the Peñarroya coalfield in central Spain, and the Ebro coalfields. Of these, the Asturian fields, with Oviedo as the centre, are undoubtedly the most important, as being producers of steam coal. The other fields produce either lignite or inferior coal, with the exception of Cordova, where the principal output is anthracite.

On December 13th, 1921, a Royal Order was promulgated making it compulsory for the four principal Spanish railway companies to employ Spanish coal in a proportion of 85 per cent. of their total consumption. As regards the subsidiary railway

companies, the proportion was to be in harmony with that assigned above, regard being had to the characteristics of each particular line.

The majority of the mines are, however, situated at some distance from the main railway lines. Transport, consequently, is by light railway and by mule or ox-cart to railhead, where a scarcity of trucks is a difficulty with which the mine-owners have to contend. A large quantity of coal is sent by sea from the Asturian mines, but the lack of mechanical loading facilities at the ports, as well as the small size of the anchorages, is a handicap. It must also be taken into account that Spanish industries requiring fuel of high calorific value cannot use Spanish coal without serious loss. Spanish freights on coal remain exceedingly high—a very important factor, and one on which the prospects of an improvement in the coal mining industry largely depend.

Prospects for British coal in Spain.—In February, 1922, a new Tariff came into force, one of the provisions of which placed the duty on imported coal at 7·50 pesetas per ton. This tariff was modified, however, by the Treaty of Commerce and Navigation between the United Kingdom and Spain, signed at Madrid, October 31, 1922, and ratified at Madrid on April 23, 1924. Under this agreement 750,000 tons of coal were permitted to be imported annually from Great Britain at a reduced rate of 4 pesetas per ton. The pre-war duty was 3·50 pesetas per ton.

In 1922 the subsidies granted to the Spanish coal industry by the Spanish Government in various forms amounted to some 17 pesetas per ton. By January, 1924, the total sums paid by way of subsidy had been reduced to 1,125,000 pesetas a month, and it was then decided to extinguish this sum by means of monthly reductions of 250,000 pesetas, so that payments would cease at the end of five months. This removes one of the obstacles to the importation of British coal. The railway companies, however, remained under an obligation to use Spanish coal, and the shipping companies in receipt of State subsidies were forced to fill two-thirds of their requirements from Spanish sources. Imports from the United Kingdom are still much below the 1913 level.

2(c) Iron Ore.—The iron ore mines undoubtedly form the backbone of the commercial and industrial prosperity of the provinces of Vizcaya, Santander, Almeria and Huelva. The iron mining industry was in a very depressed condition throughout nearly the whole of 1923, largely owing to the falling off in the demand from the United Kingdom and Germany. North African ores are in strong competition, especially those from Algeria, which have the benefit of the low rate of exchange.

2(d) Petroleum.—The search for petroleum, which proceeded briskly during 1923 and 1924, has not so far produced results of any commercial value, nor can it be said that the indications at the moment are such as to encourage hopes of eventual success.

2(e) Other Minerals.—Other important minerals mined are copper (wherein the British-owned Rio Tinto Company occupies the first place), lead, zinc, quicksilver, marble, manganese, silver, salt, sulphate of soda and phosphorus.

2(f) Water Power.—It is calculated that the full potential water-generated electrical power of Spain is 4,000,000 h.p., of which, at the present moment, some 470,000 h.p., or a little over one-tenth of the total estimated capacity, has actually been utilised. Although the power is distributed practically all over the country, climatic conditions vary enormously, and, as a natural consequence, the flow of water in the rivers.

It is fully realised by Spanish engineers that the poverty of the country with respect to coal makes it of paramount importance that Spain should avail herself to the full of all the electric energy that she is capable of producing.

It is thought likely that the important companies already established in Spain have absorbed all the capital available for electricity schemes. Foreign capitalists probably hesitate to come forward owing to the incidence of the Royal Decrees of June, 1921 (referred to later under the heading "Restrictive Measures"), and Spanish capitalists are, as a rule, slow to embark upon new ventures.

As, however, much more capital will be required for this all-important industry, with which the industrial progress of Spain is very closely linked, it appears to be within the bounds of possibility that the Government may consider whether to assist by grants or by offering inducements for the investment of capital.

2(g) Railways.—There are in Spain to-day approximately 16,000 kilometres, or 10,000 miles, of railway, or a little over 1 kilometre per 1,400 inhabitants, from which it will be seen that the development of railway construction in Spain is exceedingly backward.

All the railways belong to private companies, but nearly all have obtained subventions or guarantees from the Government.

Spanish railways undoubtedly suffer from three fundamental defects :—

(*a*) Hardly any of them are direct as between the principal points which they serve.

(*b*) The majority have single tracks with heavy gradients.

(*c*) The main line and secondary railways have different gauges.

While it is certainly true that the initial cost was considerably reduced by constructing them in this way, there is no doubt that very large sums will have to be expended before the system is capable of coping with the present needs of the country.

2(h) Roads.—There are not more than 47,000 miles of roads in Spain, and there are said to be 4,000 villages without any roads at all.

The general condition of the roads is bad, and though considerable work is being done on them, and though steam and motor rollers are now to be seen all over Spain, no lasting result seems to be achieved. While this is due to some extent to increased motor transport and to the climate, it is also partly due to the type of flint used in many parts of the country (which appears to be too soft and liable to crumble), and to the poor foundations on which the roads are built.

3. INDUSTRIAL POLICY.

3(a) Development of Domestic Manufacture. — Roughly speaking, it may be said that Spain to-day manufactures something of nearly everything, and that, were it not for the fact that quality and quantity in many cases do not fill the requirements of the market, the opportunities for foreign exporters, labouring under the handicap of the high Spanish tariff, would be far from great.

The entry of the United States into the Great War threw Spain very much upon her own resources, and undoubtedly led to the development of many industries already in existence, and to the establishment of new ones which otherwise could not have held their own with foreign competition. The footwear industry flourishes in Catalonia, and, while the use of ready-made boots and shoes is not customary amongst the well-to-do Spaniards, a large export trade is done to Latin-America; also the rising standard of living in Spain is enabling the Spanish workman to discard, to some extent, the national "alpargata" or hemp-soled sandal, in favour of leather footwear. Catalonia has also a very well developed textile industry, amply sufficient for the needs of the market in so far as concerns the cheaper grade of material.

The chemical industry also flourishes, and the iron, steel and machinery industries are improving year by year, such articles as locomotives, electric cranes, steam and motor road rollers (to quote only a few) showing a steady increase in production. Two small companies have even embarked upon the manufacture of aeroplane propellers.

Small lathes, forgings, hosiery needles, stoves, heating apparatus, metal stampings and wire, hardware, ironmongery and electrical apparatus, at one time entirely purchased abroad, are amongst the varied articles which find their way into the market from national workshops.

Glass and pottery, dyestuffs, toys, furniture, paper, leather goods, carpets, aluminium ware, soaps and perfumes, celluloid articles, rubber sheeting and raincoats: all these find a place amongst Spain's multifarious manufactures.

3(b) Effect on British Trade.—Spain has a total excess of imports over exports, and even the abnormal protection enjoyed

by certain industries will not enable her to bring about a change in this condition of affairs unless a supreme effort is made to bring her industries up to the highest level of efficiency.

At the same time, it is not necessary to adduce statistics to reinforce the obvious point that, as in the case of any country with increasing and improving industries, protected, too, by a tariff which is intentionally hostile to foreign imports, British trade with Spain must be affected to a certain extent by the increase in Spanish manufacture, although a net gain may be shown due to the increased purchasing power of the Spanish nation, which in turn is due to increased commercial development. As, however, these conditions do not affect imports from Great Britain alone, they will be dealt with further under the heading of " Restrictive Measures."

4. EXTERNAL TRADE DEVELOPMENT.

The following figures from Spanish sources are given in *millions of pesetas* :—

	Imports.	*Exports.*
1922	3,039	1,395
1923	3,059	1,591

This gives an increased export of 196 millions of pesetas in 1923, and an adverse trade balance of 176 millions of pesetas less than in 1922.

In the absence of figures giving trade by countries for years later than 1920, it has been possible to ascertain certain export figures in respect of the most important items, and it may be stated that the United Kingdom is a very important consumer of all Spanish foodstuffs and of certain minerals.

The United Kingdom imported in 1923 the major portion of the Spanish iron ore output, of certain copper ores, and of silver-lead. The United Kingdom also imports enormous quantities of fruit and vegetables, and a considerable amount of wine.

5. COMMERCIAL POLICY.

It can be stated shortly that Spanish policy is highly protectionist in regard not only to manufactures, but also to all forms of concessions for mining and water-power rights, etc., and to the operation of all foreign enterprises such as banks, insurance companies, etc. The dependence on foreign capital and manufactures modifies a commercial policy which otherwise might be yet more severe.

5(a) Restrictive Measures.—The first and most important restrictive measure is the Spanish Tariff, which came into force on February 16, 1922. This tariff contained 1,540 headings. Generally speaking, its incidence was very detrimental to British trade and led up to the Anglo-Spanish Commercial Treaty to

which allusion has previously been made. The Treaty was signed in October, 1922, and ratified in April, 1924.

The Law of 14 *February*, 1907.—This Law deals with the exclusion of foreign articles and products from public works in Spain, whether Government or municipal, and applies, also, to all railways and other undertakings in receipt of subsidies or other forms of Governmental assistance.

Mention may also be made here of the following decrees :—

Royal Decree of April 30, 1924, *for State Assistance to Industries*.—This replaces a similar law of March 2, 1917, which ceased to operate on December 31, 1922.

Under the terms of this Decree, all agricultural and pastoral industries, mining and its derivations, steel and metal works, factories, building and railway material constructors, hydro-electric and electro-thermic works, and all allied industries, are entitled to claim State aid, on compliance with certain provisos regarding the preponderance of Spanish interests.

Royal Decree of June, 1921.—Under this decree, which affects mining and hydro-electric enterprises, and is of vital importance to British interests, it is provided that from the publication of the Decree concessions will only be granted to Spaniards, or to companies constituted and domiciled in Spain.

5(b) Prospects of Modification.—In view of the strongly nationalistic tendency of all present-day commercial legislation in Spain, and in view also of the fact that British imports from Spain to all intents and purposes consist solely of foodstuffs and raw materials, it is difficult to detect any grounds on which may be based hopes for a modification of the present restrictions on British exports to, and enterprise in, Spain.

6. COMPETITIVE SITUATION.

Costs of production in the United Kingdom are still so high, and the exchange so unfavourable, compared with that of France, Belgium and Germany, that the British manufacturer has had, and has still, extraordinary difficulties with which to contend. Although no Spanish statistics are available, the following Board of Trade figures afford an index to Anglo-Spanish trade :—

	1922.	1923.
	£	£
Imports from Spain ...	18,690,958	19,577,154
Exports from U.K. ...	11,960,283	10,522,937
Re-exports from U.K. ...	959,368	795,765
Balance in favour of Spain	5,771,307	8,258,452

Unfortunately, there appears to be no doubt that Belgium, France, Italy, and, in some respects, Germany, have increased

their trade at the expense of the United Kingdom. In regard to Germany, as will be shown later, heavier competition can be looked for in the future.

United States.—The U.S.A. has, like Great Britain, to compete with nations whose currency is depreciated. The value of her domestic exports to Spain has fallen in 1923 to $61,869,855, as compared with $70,901,364 in 1922, representing a reduction of 12 per cent. This is principally accounted for by a fall of more than $11,000,000 in the value of the American cotton imported. On the other hand, in spite of the premium on the dollar, imports from the U.S.A. of mineral oils, motor cars and many classes of machinery have increased considerably.

France.—Imports from France of motor cars, yarns, textiles, machinery, china and fancy goods have all increased considerably, and she now competes successfully with British manufacturers in brass and copper tubes, sheets and bars.

Belgium.—Belgium has been exceptionally successful in steel, and continues to be a serious competitor with Spanish steel industries. Her factories have quoted rails and other steels placed on the Spanish market at prices with which, even with the 10 per cent. preference given to nationals in railway contracts, the local factories could not compete, and which British factories could not even touch.

Italy and Holland.—The recent Italo-Spanish Commercial Treaty may well open a more extensive market in Spain for the sale of Italian motor cars. Holland is becoming a more and more important competitor in Spanish trade.

Switzerland.—This country competes heavily in dynamos and electrical apparatus.

Czechoslovakia does a considerable business in Spain in china, porcelain and glassware.

Germany.—Under the Commercial Agreement signed between Spain and Germany, which came into force on August 1, 1924, Spain withdrew the 80 per cent. surcharge for depreciated exchange formerly imposed on German goods, thus placing Germany in a better position to compete with the United Kingdom. As regards the actual tariff rates conceded, however, Germany still does not enjoy the benefit of all the advantages accorded to the United Kingdom by the Anglo-Spanish Commercial Treaty.

Indirect German Competition.—There must also not be overlooked the possibility—considered in certain circles in France to be a foregone conclusion—that German interests will again invest large sums in manufacturing industries in Spain, and so obtain a further hold, not only on the local markets, but also on those of Spanish-America, where racial sentiment, in spite of past disagreements, leans more and more to the parent country.

An indication of this German infiltration is given by the recent formation of a combine in Barcelona, under the title of the "Union Naval de Levante," with a capital of 30 millions of pesetas.

In this concern Krupps are interested, and the shipbuilding interests which they are taking over include those of the "Nuevo Vulcan" of Barcelona, the "Astilleros de Tarragona" with their plant and floating dock, the "Talleres Gomez" of Valencia, and the shipyard of the important "Trasmediterranea" Company at Valencia.

PORTUGAL.

	1900	1911	1920
Population ...	5,016,267	5,547,708	5,621,977

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Portugal	2,068	3,271	4,808
U.K. re-exports to Portugal ...	607	663	654
U.K. imports from Portugal ...	2,621	3,017	3,954

Portuguese Trade Returns. Special Trade.	1904. (1,000 escudos.)	1913. (1,000 escudos.)	1920.* (1,000 escudos.)
Total imports	62,043	88,978	690,998
Imports from United Kingdom ...	18,149	23,490	266,159
Percentage from United Kingdom	29·3%	26·4%	38·5%
Total exports	30,712	35,287	222,151
Exports to United Kingdom ...	6,994	7,601	50,761
Percentage to United Kingdom ...	22·8%	21·5%	22·8%

Currency.—The unit of currency is the escudo. The par rate of exchange is 53·28 pence to the escudo. The annual average rates of exchange during the past five years have been as follows:—

1920	12·679d.	1922	3·588d.
1921	6·057d.	1923	2·211d.
	1924	1·793d.	

* No later figures are available.

1. FINANCIAL STABILITY.

Since the establishment in 1910 of the present form of government, Portugal has been subject to a number of political crises, mostly of a minor character. The frequent changes of government have been unsettling to trade and adverse to efficiency of administration.

Under such uncertain conditions it is not surprising that Portugal's financial position is serious, and exhibits most of the difficulties which follow from unbalanced budgets and an inflated currency. Not since 1913-14 can it be claimed that the national accounts have been balanced. The 1923-24 budget, which was a considerable improvement on that of the previous year, provided for receipts of 666,576,163 escudos and expenditure amounting to 802,415,872 escudos. The amount assigned to the service of the national debt was some 35 per cent. of the total revenue, as against 40 per cent. the year before. The State's largest liability, the war debt to Great Britain, is not included in the budget, because at present no interest is being charged on it.

The fiduciary circulation is eighteen times as large to-day as it was before the war, while in the same time the exchange value of the escudo has fallen from 48d. to about 2d.

The issue of a nominal £4,000,000 internal loan in July, 1923, which it was hoped would improve the financial position, caused a further depreciation in exchange and a shortage of currency, partly owing to the withdrawal of deposits from the banks to purchase bonds. Some relief has been derived from the substantial sums sent home by Portuguese emigrants in Brazil. £2,000,000 were remitted in this way in 1922, but in 1923, owing to the crisis in Brazilian coffee, the amount was less than half that sum. On the other hand, the difficulties of the situation have been increased by the continued tendency to invest capital abroad, mainly in England. A well known Portuguese financier has estimated the sum thus accumulated at £80,000,000—a sum more than six times the sterling equivalent of the total currency in circulation in Portugal.

Although the commerce of Portugal is being hampered and its profits dissipated by a depreciating currency, it is interesting to note that there is practically no unemployment, and the manual labourer is comparatively well off. The commercial credit of Portugal has suffered in consequence of difficulties experienced by some British firms in obtaining payment for goods supplied. Such difficulties, however, are a fairly normal product of depreciating currencies.

2. ECONOMIC DEVELOPMENT.

2(a) Agriculture.—This is the basic industry of Portugal, occupying not less than 60 per cent. of the population. The country is exceptionally fertile, and improvements in transport and irrigation would increase the present results by at least 100

per cent. The methods in use, except on some of the larger farms, are very primitive. The most valuable crop is wheat, which is grown largely in the Alemtejo region, once the "granary of the Roman Empire."

Maize, rye, oats, barley, potatoes and rice are cultivated fairly extensively.

Figs, almonds, raisins and carob beans from the Algarve are famous. The annual value of these crops exceeds £500,000. The grapes from which port wine is made are grown in the Douro valley. Portugal is the fourth olive producing country in the world, the annual production being valued at £1,500,000. The yield of cork varies between 50,000 and 70,000 tons per annum.

The number of livestock is estimated at nearly 6,000,000. Sheep total 3,851,000, while the rest, in order of numbers, are goats, pigs, cattle, donkeys, horses and mules.

2(b) Mining.—*Coal.*—Exploitation of Portugal's mineral resources on a comprehensive scale has been impracticable hitherto owing to the lack of cheap power and transport facilities. In the north there is believed to be an abundance of good coal, but the production has been small up to the present. The output in 1914 was 30,000 tons. During the war considerable progress was made, and in 1923 the production is believed to have been slightly less than 200,000 tons.

Iron Ore.—The deposits of iron ore have been estimated at 75,000,000 tons, but only 30,000 tons are produced annually. A well known French firm holds 22 concessions in Bragança, but these depend for their development on eventual supplies of electric power from the Douro.

Copper Pyrites.—Copper pyrites is mined actively in the south, a British firm being chiefly concerned in the work. The exports average about 350,000 tons annually.

Wolfram and other Metals.—The Portuguese wolfram deposits are among the most important in the world, and here again British interests predominate. Other minerals found include valuable uranium deposits, lead, zinc, tin, gold and silver.

Salt and Sulphur.—Salt occurs in rock form and crystallized. The annual production amounts to 400,000 tons. The annual output of sulphur is approximately 40,000 tons.

2(c) Water Power.—The amount of water power actually developed in Portugal is about 16,000 h.p. out of a total estimated power of 500,000 h.p. Nearly half of this total is in the Douro basin on the Spanish frontier, and the two governments have been negotiating for a long while regarding their respective rights. The balance is credited to tributaries of the Douro and to the Rivers Cavado, Tagus and Guadiana. Numerous schemes have been drawn up for exploiting the various falls, but no large capital investments have yet been made.

2(d) Railways.—The length of the railway system is about 2,000 miles. Both those lines which are in private hands (more than half the total) and still more those which are run by the State are in considerable need of improvement. The principal private company, the Companhia de Caminhos de Ferro Portuguez, which connects Lisbon and Oporto, is French, as are also some of the branch lines. All the railway interests in Portugal have suffered owing to the collapse of the escudo, for it has not been possible to increase fares and rates in proportion. There is an accumulated deficit on the State railway account of Esc.25,000,000.

2(e) Roads.—During the financial years 1920-21 to 1923-24, an average amount of about 3,000 contos yearly was allocated for construction and upkeep of roads. This amount was much too little. About 5,000 kilometres of road are said to be in a very primitive condition, and to put them in a proper state of repair would, it has been estimated, cost some 400,000 contos *

3. DOMESTIC MANUFACTURE.

Portugal is not an important manufacturing country, and is dependent on other countries for the greater part of its requirements of made up goods. There has, however, during recent years been considerable progress in industrial activity.

Textiles.—The principal manufacturing industry is the production of textiles, which employs some 45,000 operatives—25,000 in cottons, the remainder in woollens, silks and linen goods. The cotton fabrics produced are chiefly unbleached calico and calico prints. In these lines the national manufacturers have a considerable share of the market, and large quantities of prints are exported to the Portuguese Colonies in Africa. In the case of woollens, as with cottons, the national cloth cannot compare in quality with British textures. Serges, worsteds and gabardines, however, are all made well in the country. The industry consumes from 5,000 to 7,000 tons of wool annually. In respect of both cottons and woollens the Portuguese are handicapped by inexperienced labour, want of organisation and inequality of output.

Other Important Industries.—About 15,000 persons are employed in canning sardines and tunny fish. The centre of this prosperous industry is Setubal. Other industries are flour milling, manufacture of boots, shoes, furniture, cork and cork mats, candles and soap, tiles, pottery and glass and paper.

The most important industry in Portugal is, however, the port wine industry. English capital invested in the industry amounts to between £5,000,000 and £6,000,000.

4. EXTERNAL TRADE.

Great Britain has a very large share of Portugal's import and export trade. She continues to be easily Portugal's best

* 1 conto = 1,000 escudos.

customer, not excepting the Portuguese Colonies or Brazil. British purchases include nearly two-thirds of the production of port and Madeira wines, 75 per cent. of the figs, almonds and carob beans of the South, as well as much of the cork, sardines and mineral ores. On the other hand, Portugal buys from Great Britain practically all her requirements in coal, and in tin plate for sardine canning, while most of her textile imports come from Manchester and Bradford. Through London she buys American cotton, Argentine wheat and Newfoundland cod. Great Britain also receives a large part of the £3,000,000 annually spent by Portugal on freight and insurance.

4(a) Exports.—The principal articles exported from Portugal are wine, sardines, pit props, cork, textiles (to Portuguese Colonies), fruit, copper pyrites, salt and wolfram. The chief buyers are Great Britain, France, Brazil, Angola and the United States of America.

Wine.—One of the two most important exports, (the other being canned sardines). In 1923 6,373,519 gallons of port wine were sent to England, valued at £2,080,170. Before the war some 3,500,000 gallons were exported annually and during the war the average increased to nearly 5,000,000 gallons. The exports during 1919 exceeded all records, over 11,880,000 gallons being exported. Much of this wine was of very poor quality, as many unrecognised firms started exporting during the " boom " period which occurred after the Armistice. Brazil consumes most of the ordinary (*i.e.*, other than " port ") wines. Until prohibition was introduced in the United States of America, a substantial trade was done with France in a red wine required for making claret. The closing of the American market reacted on the French wine industry to such an extent that the maximum import duty was applied by France to Portuguese wine as a protective measure. Protracted negotiations followed, and, after a tariff war which closed the French market completely, arrangements were made by which ordinary wine could be imported into France from Portugal up to a specified limit, and liqueur wines could be imported into France from Portugal.

Canned Sardines.—Up to 1875 the sardine packing industry was limited to two small factories, which were run on very primitive lines. Since then great improvements have been made; the annual value of the exports of tunny and sardines now approaches £1,000,000.

Cork, etc.—Among cork-producing countries Portugal stands second. There was a large demand for cork during the war, but prohibition in the United States of America and the loss of the vodka market have affected the trade adversely. Conditions have recently improved. *Pit props* are largely exported to Great Britain. Portuguese *textiles* are supplied in considerable quantities to Angola, especially calico and cotton prints. More than

179,000 tons of *copper pyrites* were exported in 1923, mostly from the British-owned mine of San Domingos. Shipments of *fruit and vegetables* amount to about 100,000 tons annually, the principal fruits being dried figs, apples, almonds and locust beans, which go largely to England. Owing to the depression in the high speed steel industry, *wolfram* exports have fallen to a low figure.

4(b) Imports.—The bulk of the country's imports consists of foodstuffs, coal, raw cotton, oil, and manufactured articles. *Wheat*, *maize* and *dried cod* are staple foods and, although both wheat and maize are grown extensively in the country, they are among the largest imports. Some 150,000 tons of wheat and 50,000 tons of maize were imported in 1923. Cod is imported chiefly from Newfoundland and Norway. The amount averages between 30,000 and 35,000 tons annually.

Petroleum Products are now among the largest imports. Both the Shell Company and the Vacuum Oil Company have large tank deposits at Lisbon. The demand, for bunkering, industrial and domestic purposes, is considerable. The Lisbon Tramway Co. (a British concern) is probably the biggest individual consumer, oil being used for the generation of power.

Coal.—Before the war the import of *coal* averaged between 1,000,000 and 1,500,000 tons per annum. The trade is almost wholly in British hands. In 1913, 1,200,000 tons of British coal went to Portugal, and in 1923 the quantity shipped was 766,000 tons. The demand is mainly for bunkering, railways and industrial purposes. Very little is used in the houses, as most people burn wood.

Textiles.—Great Britain is the largest supplier: shirtings, grey calico, fancy cottons, and all kinds of woollen goods are exported to Portugal in considerable quantities. Cotton and calico prints are imported for re-export to the African Colonies. The exports of cotton piece goods from England to Portugal, Azores and Madeira during 1923 amounted to 23,748,800 square yards. 296,000 square yards of woollen and worsted tissues were exported from England to Portugal in 1923. France is the chief supplier of silks, with Great Britain second.

Iron and Steel.—The bulk of the trade in iron and steel, railway material, machinery, motor cars and other engineering products is divided between Germany, Great Britain, France, United States of America, Spain, Italy and Belgium.

Machinery, &c.—Locomotives and wagons have been supplied from Germany under the "Reparations in kind" agreement. Ninety wagons were delivered at Barreiro in the middle of 1923 and further supplies of 110 wagons and 80 locomotives were expected later. Agricultural machinery is largely supplied by the United States of America and Germany. German industrial

machinery is selling well in Portugal, owing to its comparatively low price. British textile machinery can still be sold, though the demand is somewhat restricted.

Other imports into Portugal are chemicals, drugs, paints, staves for the wine barrelling industry, etc.

5. COMMERCIAL POLICY.

The policies pursued by Portuguese Ministries during recent years with regard to commerce have involved considerable restriction of trade. Decrees relating to import and export prohibitions, tariff increases, the fixing of the rate of exchange, and changes in shipping dues, have followed each other in rapid succession, and this has had a somewhat unsettling effect on trade generally.

Late in 1922 the pre-war system of taxation was recast to make way for a new system, among the new taxes introduced being : (1) an industrial tax on salaries, (2) a tax on the application of capital, (3) a personal income tax, and (4) a turnover tax of 2 per cent.

Modifications of the existing tax on profits and the land tax were made. The introduction of so many new and revised taxes simultaneously was bound to cause consternation in commercial circles, but agitation soon died down. Before 1923 was far advanced it was clear that very little revenue would result from the imposition of the new taxes, owing to the lack of efficient tax-collecting machinery.

6. COMPETITIVE SITUATION.

The tendency in recent years, with the fall in value of the Portuguese escudo and the activity of German manufacturers, has been to buy less in Great Britain, the United States of America and Spain, and to purchase more in Germany and other low exchange countries. German shipping is again coming to the fore in the port of Lisbon, and many German goods, especially manufactures, have been imported during the last year or so. 424 German steamers called at Lisbon in 1923, as against 373 in 1922. There were 534 British steamers in 1923 and 581 in 1922.

The arrangement whereby Germany agreed to make reparations in kind (*e.g.*, locomotives) to Portugal has had an adverse effect on British trade with Portugal. Much of the machinery at present in use in Portugal is of German pre-war manufacture, and there is a growing tendency to obtain present day requirements from German firms.

The French have a fair amount of influence in Portugal, and they are making efforts to obtain more of the Portuguese home and colonial trade. The principal railway is French, and the Lisbon Ship Repair Works and Docks concession is at present held by a powerful French firm.

American trade with Portugal increased just after the war, and considerable efforts were made by American firms and financial

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interests to increase their hold on the market. American influence has appreciably declined, however.

An important event in Anglo-Portuguese trade relations has been the granting of a special £3,000,000 credit under the British Export Credits Scheme. The credit is used for the supply of Government requirements and also those of firms of recognised standing in Portugal and Portuguese Colonies. Many orders have been obtained by British firms as the result of this credit arrangement.

Great Britain plays a very important part in Portuguese trade, for, not only does she supply a large proportion of Portugal's imports, but, in addition, the principal Portuguese industries are largely run and financed by British firms. While this remains the case, and the present good feeling subsists between the two countries, there seems small prospect of Anglo-Portuguese trade materially decreasing. Rather should it increase, if financial conditions become better.

7. NOTE REGARDING PORTUGUESE COLONIES.

The Portuguese Colonial Empire ranks as the third largest in the world.

In *Mozambique* and *Angola*, Portugal possesses two very large tracts of land in Africa, both colonies having long sea coasts and important rivers and ports. The trade of Mozambique is largely in British hands, extensive areas being administered by the Companhia de Mocambique and the Companhia de Nyassa, in both of which there are important British interests. Lourenço Marques and Beira are increasing in importance and at the latter place a large port-development scheme is being put into execution. Mozambique is very fertile and rich in minerals. Angola still awaits exploitation and at present the administration is hampered by its inability to provide the necessary finance. Diamond mining is the most important industry of the province at the present time. Borings for oil have been made during the past few years by American and British Companies and, if oil is eventually found in satisfactory quantities, the fortune of the province will be assured. Eventually it should be possible to cross Africa from coast to coast by rail, the terminals being in Portuguese territory (Lobito in Angola and Beira in Mozambique). Progress is still being made with the construction of the Benguella railway, which is destined eventually to link up Angola with the Katanga Province of the Belgian Congo. When the railway is complete it is probable that a considerable amount of copper from the Katanga mines will be carried through Angola for export to Europe. Railway development work in Mozambique and Angola is being carried out principally by British firms.

Other Portuguese possessions include *Madeira*, famous for its wine, wickerwork and embroidery, and also for its attractions

as a holiday resort, and the *Azores* and *Cape Verde* groups of islands. In all three possessions British interests are strong.

TRADE OF THE UNITED KINGDOM WITH PORTUGUESE COLONIES.

	Imports.		*Exports.	
	1913. (£1,000's.)	1923. (£1,000's.)	1913. (£1,000's.)	1923. (£1,000's.)
Azores	56	105	56	57
Madeira	32	106	306	609
Portuguese West Africa (Angola)	171	105	555	1,138
Portuguese East Africa (Mozambique)	344	1,813	1,810	1,956
Other Possessions	274	90	217	188

* Including Re-exports.

GROUP 2.—CENTRAL EUROPE.

GERMANY.

	1900	1910	1919
Population ...	56,367,178	64,925,993	59,852,482

NOTE.—The population in 1910 of the area covered by the 1909 Census was 58,449,793.

British Trade Returns. Merchandise only.	1913. (£1,000.)	1922. (£1,000.)	1923. (£1,000.)	1924. (£1,000.)
U.K. Exports to Germany ...	40,677	32,111	42,624	42,645
U.K. Imports from Germany ...	80,411	26,523	34,994	36,897
U.K. Re-exports to Germany ...	19,822	16,986	18,272	28,912

German Trade Returns. Merchandise only. (Special trade not including Gold and Silver.)	1913. (1,000 gold marks.)	1922. (1,000 gold marks.)	1923. (1,000 gold marks.)	1924. (1,000 gold marks.)
Total Imports	10,769,686	6,200,400	6,144,245	9,135,059
Imports from U.K.	875,859	*	1,015,104	827,386
Percentage from U.K. ...	8·1%	*	16·5%	9·1%
Total Exports	10,097,234	3,970,000	6,102,273	6,533,396
Exports to U.K.	1,438,225	*	557,352	611,448
Percentage to U.K.	14·2%	*	9·2%	9·4%

NOTE.—The various territorial adjustments which have been made should be borne in mind when considering the above figures. The German figures for 1923 and 1924 are incomplete, in view of the occupation of the Ruhr.

* Information not available.

Currency.—The currency unit is now the Reichsmark, which was introduced on the 11th October, 1924. The par rate is 20·43 Reichsmarks = £1.

1. GENERAL.

The economic situation in Germany has been the subject of so much discussion that it is not necessary to say more than that there has recently been a general improvement, although there still remains a great deal in the situation to cause uncertainty.

The Germany of to-day is in some important respects in a less favourable position economically than the Germany of 1914. Thus she has lost important industries, including the textile industries of Alsace and the iron and steel industry of Polish Upper Silesia. Moreover, she has now to go into the open market for considerable proportions of certain basic materials for her leading industries, such as iron, lead and zinc ores, and coal, previously supplied by her former territories.

In the iron and steel industry, which was formerly the backbone of Germany's industrial prosperity, the great change which has resulted is that she has ceased to be a bulk exporter of raw materials and semi-manufactured products, and in the future her exports of iron and steel will probably consist mainly of finished goods.

On the other hand, while Germany has had to face serious losses in the production of raw materials, her industrialists were able during the inflation period which followed the war and continued until November, 1923, to carry out a great deal of reconstruction work at a nominal cost, paying for it in paper marks. By the same means the German mercantile marine has been largely rebuilt; the railways have been reconditioned, so that they are to-day among the most efficient railway systems of Europe; the harbours and inland waterways have been greatly extended; and electric power and other development schemes have been carried out. During the war, and during the inflation period, Germany was also able to make extensive additions to her works and factories, and to install new and up-to-date plant and machinery and labour-saving appliances. The result is that most of her manufacturing industries are now very efficiently equipped and very highly organised; so much so that the present-day Germany is capable in many industries of producing an output of manufactured goods in excess of that of 1914.

The depreciation of the mark, which had been continuous up to November, 1923, had enabled German manufacturers to produce and export goods at prices below the world market prices, but the depreciation had brought about considerable unrest among the workers. The Renten mark was introduced in November, 1923, as an intermediate means of stabilising the internal value of the currency; and later a gold discount bank was created, with a capital of £10,000,000, to carry out the financing of foreign trade. As a result, calculations on a gold mark basis became

general, and thus furnished a fixed basis for the purchase and sale of goods. The stabilisation of the currency, while allaying to some extent the industrial unrest, resulted in an increase of prices and general shortage of working capital, and consequently rendered sales more difficult, especially in overseas markets.

The new currency—the Reichsmark was introduced on the 11th October, 1924. The old paper mark currency is to remain legal tender until June, 1925, it being laid down that one billion paper marks are equal to one Reichsmark. The Renten mark is to be abolished, but pending its total withdrawal it has been fixed that one Renten mark is equivalent to one Reichsmark.

The old Reichsbank has not been liquidated, but reconstructed to constitute the new bank of issue provided for in the Report of the First Committee of Experts appointed by the Reparations Commission—commonly known as the Dawes Report.* The capital of the reconstructed bank will be 400,000,000 Reichsmarks. Of this, 90,000,000 will represent the capital of the old bank, which was 180,000,000 paper marks. If possible, the conversion of the old capital into the new capital is to have retrospective effect as from January 1st, 1924.

2. FINANCIAL BURDENS AND CAPITAL RESOURCES: CREDIT CONDITIONS.

In 1913 the funded debt of Germany was 4,805,800,000 marks. On September 30th, 1923, the funded debt amounted to 60,488,000,000 paper marks. This sum, owing to the colossal depreciation of the mark in the meantime, was then equivalent to 2,000 gold marks, or only £100. The further depreciation of the mark between the 30th September and the 15th November, 1923, when the Renten mark was introduced, practically extinguished the internal debt of Germany.

In this connection attention is drawn to the following passage quoted from the Dawes Report :—

> "The extinction of the German debt has, after all, been at the expense of her own nationals, who are her taxpayers : they have sustained, as holders of German bonds, not only the burden which they have already escaped as taxpayers, but that which they would have borne in future years to meet the service of the internal debt if its value had not been destroyed by depreciation. The process of extinction has indeed (except in its incidence as between different individuals and classes) had the same results both to the Treasury and to the German taxpayer regarded collectively with a capital levy devoted to debt extinction. The loss incurred by individual holders of debt is exactly offset by a corresponding profit accruing to taxpayers as a whole."

* The English version of the Dawes Report and the McKenna Report has been published as a Parliamentary Paper by the Stationery Office (Cmd. 2105, entitled "Reports of the Expert Committees appointed by the Reparation Commission." Price 3s. net.).

On the other hand, the payments to be made under the Dawes Plan constitute a new external debt, the exact magnitude of which cannot be stated until experience shows how far the transfer of the full annuities will prove possible.

One of the chief causes of the difficulties in the money market is to be traced to the inflation period, which brought about the flight from the mark and the rush to convert money into fixed capital. Those movements involved an acute shortage of liquid capital in Germany. On the other hand, large sums of German currency were converted into foreign balances, which could be brought home again after the stabilisation of the mark. The McKenna Committee estimated that on December 31st, 1923, the amount of German capital abroad was approximately £337,500,000.

The one really great disadvantage under which German industry has been labouring is its lack of finance. The depreciation of the mark interfered with foreign purchases and made the calculation of costs and prices difficult; on the other hand it undoubtedly favoured exports. The return to stabilisation in November, 1923, combined with the measures necessary for its maintenance, produced the inevitable reaction. Money and credit became extremely scarce and consequently very expensive.

The policy of converting profits and capital into fixed assets directly affected various industrial concerns on the introduction of a stable currency with a consequent rise in prices. Owing to the general shortage of capital and the credit stringency, many firms were obliged either to go into liquidation or to apply for official supervision.

Since the Dawes Scheme came into operation, the shortage of capital has been relieved by financial assistance obtained from abroad, principally from the United Kingdom and the United States of America, in the shape of credits, loans and the proceeds from the sale of new share issues.

Further, owing to the introduction of a stable currency, supplies of internal credits have now become easier, as the habit of thrift is gradually being restored and money is being deposited at banks much more freely, and foreign balances are no doubt being repatriated.

Wages are, however, constantly being increased. Moreover, the foreign credits and loans which have been obtained are mostly short term, and at much higher rates than those generally in existence before the war. They are therefore only temporary palliatives.

Further, the present trade balance is adverse, and the redemption of commercial loans and interest at an early date would place a severe strain on German financial resources.

The future situation is accordingly still very obscure.

3. ECONOMIC DEVELOPMENT.

A factor which has helped to enhance German industrial capacity is the improvement which has taken place in the utilisation of fuel, power and mineral resources. This is one of the lessons which Germany has learned from the war. There is not only the enormously extended and economical use of lignite, and the rapid expansion of electrical power derived from lignite and from water, but also the scientific use of heating units, in order to extract the greatest possible energy out of coal, oil and all kinds of other, much inferior, fuels.

During the war Germany, shut off from her overseas sources of supply of raw material, developed in every way possible her own natural resources, and this process of intensive development has also been continued in the post-war period.

3(a) Mining.—The official figures for the production of coal, coke, etc., in Germany for 1924, compared with the estimated production for the same territory in 1913 and the production in 1913 of the whole of Germany as then constituted, are as follows :

—	1924. 1,000 Metric Tons.	Estimated output of present German territory in 1913. 1,000 Metric Tons.	Output of whole of Germany in 1913. 1,000 Metric Tons.
Coal	118,829	140,753	190,109
Lignite ...	124,360	87,228	87,233
Coke	23,720	31,668	34,630
Coal briquets ...	3,743	6,490	6,993
Lignite briquets	29,665	21,977	21,977

It will be noted that the decrease in the production of coal is compensated to some extent by an increase in the production of lignite and lignite briquets. The increase in the production of lignite is very important in connection with the production of electric power.

In 1913 Germany produced 28,607,903 tons of iron ore against an estimated production for the present territory for 1924 of 7,810,000 tons.

Authoritative figures published by " Stahl und Eisen " showing the production of pig iron and raw steel in Germany for the years 1913, 1922, 1923, and press estimates of a less authoritative character for the year 1924 are as follows :—

Output in 1,000 metric tons.

—	1913.*	1922.	1923.	1924.
Pig Iron	11,520	9,396	4,936	7,190
Steel	13,233	11,714	6,305	9,150

* Pre-war territory excluding Alsace-Lorraine, Luxemburg, Saar, etc.

The sales of German potash effected in 1924 amounted to 840,000 metric tons, of which 40·3 per cent., or 340,000 metric tons, were foreign sales.

During 1924 an agreement was reached between German and French producers regarding the supply of potash to the United States. Under the agreement Germany is to supply 62½ per cent of the potash required, while France is to supply the remaining 37½ per cent.

Progress has been made in exploiting the bauxite deposits in Germany; but she is not yet in a position to produce all the bauxite she requires, and the bulk of that produced is of inferior quality. In 1913 Germany's output of aluminium was estimated as only 800 metric tons. The maximum annual capacity is now stated to be 40,000 metric tons, although only 10,000-15,000 tons are said to have been produced during 1924. Various schemes are now on foot to convert the present aluminium works which burn lignite to water power, and it is hoped by these means to increase production.

3(b) Railways.—The German railways, which were State-owned, have recently been worked at a loss; but, as already pointed out, the buildings, permanent way and rolling stock have been reconditioned at a nominal cost, and the service is now one of the most efficient in Europe. Under the Dawes scheme the railways have been placed under the control of a company, and are being worked on a commercial basis.

Germany's transport system is excellent, and has for some years past completely recovered from the wear and tear of the war period. The freight rates on goods intended for consumption and use in Germany have latterly been high, but special reduced rates have been introduced to facilitate the export of numerous classes of goods.

3(c) Water Transport.—The losses in the mercantile marine have been to some extent made up. In June, 1914, the tonnage for 2,090 steam and motor vessels was 5,134,720 tons. In June, 1924, the tonnage was 2,872,220 tons for 1,906 vessels.

To relieve the unemployment in German shipbuilding yards, the German Government has agreed to provide loans to German

shipbuilding firms, and for that purpose has allocated 50,000,000 gold marks (£2,500,000) from the sum of 280,000,000 gold marks at its disposal for productive unemployment relief. According to a statement by the Minister of Commerce, the loans may be for five years, subject to possible extension, and may amount to a maximum of 50 per cent. of the agreed construction cost of the ship. The rates of interest will be ½ per cent. during construction, 4 per cent. the first year after delivery, 5 per cent. for the second and third years, and 6 per cent. for the fourth and fifth years. But in no case is the rate to exceed 1 per cent. less than the current bank rate. Should the bank rate fall below 5 per cent., bank rate will be charged.

The German harbours and inland waterways have been greatly extended, and further extensions are in the course of construction. Inland water transport is good and cheap, but in winter it is somewhat restricted.

3(d) Water Power.—One of the principal features of modern Germany has been the development of water power; and, although she is in proportion less well supplied with rivers and lakes than the neighbouring countries, she has done more to exploit such resources of this nature as are available. Germany's estimated maximum water power is 7·7 million horse-power, of which so far 1·2 millions are being exploited. There is, therefore, room for much further development.

3(e) Agriculture.—As regards agriculture, every effort is made in Germany to obtain the greatest possible production for the land, and intensive culture is carried on in every district. The fertility of the soil appears, however, to have diminished, as the production of wheat, rye, barley, oats, potatoes and sugar beets was in 1924 considerably less per hectare than in 1913. This is probably due to the strain put on the soil during the war.

In July, 1924, the German Potash Syndicate announced that they were prepared to grant farmers, free of interest, bill credits until the 15th November for orders for chemical manures received before the 1st September. The ability to grant these credits is attributed to financial assistance obtained in America.

At the commencement of 1925 the German Government announced that it would be willing to supply certain credits with a view to rehabilitating German agriculture, easing the problem of home food supply and placing the farmers in a position to meet foreign competition by bringing about a reduction in home prices. Under this scheme, credit will be supplied for the purchase of specific types of tractors and motor ploughs manufactured in Germany, and for the purchase of seed potatoes, seed corn and summer seed generally.

4. INDUSTRIAL POLICY: DEVELOPMENT OF DOMESTIC MANUFACTURES: ESTIMATED EFFECT ON BRITISH TRADE.

Owing to the war Germany lost practically all her overseas connections. Every effort has, however, since been made to regain her former connections and to extend her field of operation.

Protection has also been given to the home trade by a system of import licences.

Another feature in connection with the development of German industries has been the change which has taken place in the German cartel system. Fusions, cartels and combinations have always been a feature of German commercial organisation, and, whatever their disadvantages, there is little doubt that in the case of Germany they lead up to a more concentrated effort and form a powerful factor in foreign trade.

After the war, however, the *horizontal* combination, *i.e.*, a combination of firms under separate management and ownership to promote sales through the medium of a central selling agency or control of prices, gave place to the *vertical* combination, under which, while the various works may or may not retain their entity, the control passes into the hands of a central concern. The vertical combination aims at first securing control over firms producing raw materials, and then over the concerns working up the material through every stage of manufacture. Sales are effected under the direction of the central or controlling concern. The new movement was primarily caused by the loss of territories containing supplies of raw material and the necessity of securing supplies from the sources left to Germany. It is, however, of interest to note that the new movement came from industry itself and not from the banks, who, as a consequence, lost to a large extent their former control over German industry and their voice in the direction of export trade. In fact, instances have actually occurred of industrial groups securing controlling interests in banks with a view to improving the group's financial resources. The development of vertical combinations tends to a close linking up of interests, which is further promoted by the formation of central organisations to exploit the sale of products abroad. There is now, however, a tendency for the banks to regain their lost interests.

Thus, while the vertical system of organisation made rapid strides, the combinations or cartels formed for the purpose of regulating business conditions and prices lost their popularity, and many of the pre-war organisations—the Steel Association and Ammonia, Tar and Benzol Syndicates among others—have been dissolved, or have survived only in a loose form.

The Westphalian Coal Syndicate was only renewed as a result of government intervention.

To take the place of the former steel association a new ingot steel association has been formed. The sole function of this association is to regulate the expected requirements of ingot steel. Each member will be allotted a certain percentage figure of the total production agreed upon; and the association takes no part directly in sales or sale prices, but will merely influence prices indirectly by its control of output.

The formation of the association is, however, not only regarded as the first step to bring supply into conformity with the demand, but also as a basis for the formation of other associations in connection with the iron and steel trade. A syndicate for semi-manufactured iron and steel products has provisionally been formed to commence activities on April 1st, 1925. This syndicate aims at arranging a definite sales agreement for allocations and prices.

Negotiations regarding the formation of other syndicates, such as for wire rods and plates, are taking place, but difficulties are being encountered in bringing them into existence.

The wire rope manufacturers, however, have formed a syndicate under which the export orders obtained by the different works are distributed among the members on the basis of one-fourth of the order to the firm obtaining the order and three-quarters to the other members in agreed proportions.

After the war, one of the principal features of the development of Germany's export organisation was the use of Holland as an exporting centre, and most of the important German combinations and firms established either branch offices or responsible agents in that country. The question of a modification of this policy is now under consideration.

The general effect of these developments has been to limit the market for British manufactured goods in Germany (although even before the war Germany was a declining market for purely finished manufactures), and to increase the danger of German competition with British goods in overseas markets. Further, German firms, in their efforts to regain their former connections overseas, have endeavoured as far as possible to import direct, and eliminate the re-export trade from the United Kingdom.

5. EXTERNAL TRADE.

In 1913 the export trade of Germany was valued at 10,199,000,000 gold marks, and her import trade at 11,206,000,000 gold marks. In 1924 the value of exports was 6,566,854,000 gold marks, and the value of imports 9,316,841,000. These totals include gold and silver. The following table gives the values of the different groups of exports and imports and their percentage of the total.

German Trade in 1913 *and* 1924.

Description of Goods.	1913.		1924.	
	Millions of gold marks.	Percentage of total.	Millions of gold marks.	Percentage of total.
Imports.				
Animals, living	289·7	2·6	92·47	1·0
Food and Drink	2,796·5	24·9	2,676·93	28·7
Raw Materials	4,997·1	44·6	3,686·79	39·6
Articles, partly manufactured.	1,263·3	11·3	897·65	9·6
Articles, wholly or mainly manufactured.	1,422·1	12·7	1,781·21	19·1
Gold and Silver	437·4	3·9	181·79	2·0
TOTAL ...	11,206·1	100·0	9,316·84	100·0
Exports.				
Animals, living	7·4	0·1	13·71	0·2
Food and Drink	1,068·7	10·5	419·14	6·4
Raw Materials	1,300·1	12·7	468·09	7·1
Articles, partly manufactured.	939·8	9·2	439·09	6·7
Articles, wholly or mainly manufactured.	6,778·9	66·5	5,191·42	79·1
Gold and Silver	103·7	1·0	35·40	0·5
TOTAL ...	10,198·6	100·0	6,566·85	100·0

The above table shows that the import trade of Germany is mainly confined to raw and semi-raw materials. In 1913 only 12·7 per cent. of the total imports were manufactured goods, but in 1924 the percentage was 19·1.

6. COMMERCIAL POLICY: RESTRICTIVE MEASURES.

The commercial policy of the German Government has for many years been rigidly protectionist, and there is no prospect of any change in this respect.

Besides her tariff system Germany has given further protection to her industries since the war by the introduction of import restrictions. Under this system goods can only be imported under licence, and for manufactured goods these licences have been very difficult to obtain.

A minor revision of the customs tariff is, however, being brought into force at an early date, to be accompanied by an abolition of the import restrictions. The increase of duties

under the new tariff is intended to counteract to some extent the proposed abolition of the import restrictions. As regards the general tariff revision, only certain questions of principle have been fixed, and some time will elapse before it can be brought into force.

In addition to the control of imports, a system of export licences was also introduced after the war. These licences were granted only when the price for the goods did not fall below the standard price fixed by the Control Office. Export duties were also enforced.

The price control and export duties have now been abolished, and the list of goods for which export licences are required is now confined mainly to foodstuffs and raw materials.

7. COMPETITIVE SITUATION.

Germany has always been one of the principal trade connections of this country, and in 1924 she was the fifth largest importer as regards direct exports and the first for re-exports. The figures for 1913, 1922, 1923 and 1924 were :

—	Exports from U.K. to Germany in £ million.	Percentage of total Exports from U.K.	Re-exports from U.K. to Germany in £ million.	Percentage of total Re-exports from U.K.
1913 ...	40·7	7·7	19·8	18·1
1922 ...	32·1	4·5	17·0	16·4
1923 ...	42·6	5·6	18·3	15·4
1924 ...	42·6	5·4	28·9	20·6

During 1922 approximately one-half of the British exports to Germany were textiles and textile raw materials, one-third coal and the remaining one-sixth other products. Owing to the situation brought about by the occupation of the Ruhr, there was an abnormal demand for British coal during 1923—the imports being 15,419,290 metric tons for that year, as against 7,793,888 for 1922 and 9,209,543 for 1913. The imports of British coal during 1924 were only 6,014,190 metric tons. In view of the development in the production of electricity from water power and lignite, and in the construction of ships to run on oil, the normal market for coal in Germany is likely to decline.

The principal pre-war direct exports from the United Kingdom of raw and semi-manufactured materials have to a large extent been maintained, with the exception of cotton yarns, where, besides an actual decrease, a change has taken place in the classes imported, Germany importing a relatively larger proportion of coarse yarns and a smaller proportion of fine yarns than in 1913. There has also been a large falling off in the

exports from the United Kingdom of machinery, which is due to the import restrictions and the increase in home production. The imports of United Kingdom machinery as a whole declined from 27,916 metric tons of the value of £1,051,300 in 1913 to 355 metric tons in 1921. They were 558 in 1922, 385 in 1923, and 3,773 in 1924. The machinery which has been exported to Germany has been mainly textile machinery. In view, however, of the general enlargement and reconstruction which has taken place in the German textile industry during the past few years, it is highly improbable that any immediate extensions of plant or machinery will be made, and the market will be a restricted one.

U.K. re-exports to Germany consist of raw materials and foodstuffs. The principal articles, in their order of importance, are wool, rubber, skins, leather, coffee, jute, tin, cotton, meat, grain and petroleum. This trade is being maintained in spite of the efforts of German and overseas (principally Indian) firms to deal direct. The more important decreases are in coffee, rubber and jute, where the German efforts have been partially successful. On the other hand, there have been important increases in cotton, meat, grain, petroleum and tin.

In the absence of any post-war statistics, it is impossible to give any definite statement regarding the development of the "improvement," or "working up" trade. This trade, which can be divided into two categories, (i) goods consigned to Germany to be worked up on behalf of Germans, and (ii) those to be worked up on behalf of foreigners, was particularly attractive during recent years, owing to the low German wages. The principal articles under (ii) were unbleached cotton cloth, cotton yarns and woollen cloth.

The general tendency is for Germany to become more and more a market for raw and semi-manufactured materials, and for imports of manufactured goods to be restricted to special classes.

The Dawes Committee referred in their Report to Germany's growing and industrious population, her great technical skill, the wealth of her natural resources, the development of her agriculture on progressive lines, and her eminence in industrial science, and they have stated that they find these factors hopeful in respect of her future possibility of production.

German industry now, as formerly, has at its disposal an excellent working population. As regards hours of work, the Eight Hours Day is still legally in force, but the law has been modified to such an extent by subsequent decrees that it is not effective in practice.

The wages paid to German workers, when converted into dollars or sterling at current rates of exchange, have been much lower than those paid in the U.S.A. or this country. They are, however, being constantly increased, and agitations to this end are still taking place.

The average tariff rates in gold pfennigs per hour for skilled and unskilled workers in December, 1924, as compared with pre-war wages, are officially stated to be as follows :—

	Skilled.		Unskilled.	
	Dec., 1924.	1913–14.	Dec., 1924.	1913–14.
Miner*	90	78	53	38
Builder	86	71	72	56
Timber worker	78	61	65	44
Metal worker*	73	66	51	43
Textile worker—				
Man*	56	47	45	38
Woman	40	31	32	26
Factory worker—				
Chemical industry* ...	68	57	59	46
Paper*	53	33	48	30
Book printing	80	63	68	46
Railway worker*	67	62	52	39·5
Average	75	70	53	41

* Inclusive of social allowances for wife and two children.

From February, 1924, except for slight reactions in June and August, the cost of living has gradually increased. In January, 1925, the official German index figure based on the cost of food, light, clothing and housing was 124, and for food alone 137, as against 110 and 127 respectively for January, 1924, and 100 for 1913-14.

There can be no doubt that Germany's export organisation is still suffering from the results of the war, but she has already made great advances towards the re-establishment of her overseas connections.

One of the most powerful weapons which Germany is using to re-establish her position in foreign markets is the commercial treaty. On January 10th, 1925, certain clauses of the Treaty of Versailles under which the Allies enjoyed most favoured nation treatment lapsed, and Germany has now regained her full economic freedom, and is at liberty to bargain with the various nations. In anticipation of the lapsing of these clauses, a commercial treaty between Great Britain and Germany was signed in London on December 2nd, 1924. This treaty has still, however, to be ratified by the two countries.

By virtue of a German Decree, dated 29th September, 1924, " most favoured nation " tariff treatment is accorded as from 11th January, 1925, until further notice, on importation into Germany, to the products of all countries, not having Treaty rights to " most favoured nation " treatment in Germany, which, in fact, accord " most favoured nation " treatment to German products.

As from January 11th there has been no commercial treaty between France and Germany, and imports into that country from France and *vice versa* have been subject to the high general tariffs. Further, as from the same date the facilities accorded under the Treaty of Versailles admitting the free exchange (*i.e.*, free of duty and licence) of goods between Germany and Alsace-Lorraine and the Saar ceased.

Negotiations are now, however, taking place between France and Germany with a view to effecting a modus vivendi pending the conclusion of a commercial treaty.

AUSTRIA.

Population (1920) 6,426,294

British Trade Returns. Merchandise only.	1922. (£1,000.)	1923. (£1,000.)
U.K. exports to Austria	1,040	1,138
U.K. re-exports to Austria	413	392
U.K. imports from Austria	1,566	2,093

Austrian Trade Returns. Special Trade.	1922 (1,000 gold kronen.)	1923. (1,000 gold kronen.)
Total imports	1,756,188	1,849,037
Imports from United Kingdom	41,382	43,381
Percentage from United Kingdom ...	2·4%	2·4%
Total exports	1,103,712	1,030,551
Exports to United Kingdom	38,571	43,727
Percentage to United Kingdom	3·5%	4·2%

Currency.—The pre-war unit of currency was the krone. The par rate of exchange was Kr. 24·02 = £1. A rapid depreciation took place after the war. By August, 1922, it was as much as 350,000. After that the rate remained fairly stable in the neighbourhood of 330,000. Under the provisions of a bill passed in December, 1924, a new gold unit—the schilling, equivalent to 10,000 kronen—is being brought into use during 1925. The par rate is 34·58½ schillings = £1.

1. GENERAL.

The Austrian Republic has an area of 33,250 square miles and a population of 6½ millions. The territory includes, on the one hand, a considerable part of the poorest and most mountainous portion of the old Austro-Hungarian Empire and, on the other hand, Vienna, a large and luxurious city containing about one-third of the total population of the country. More than one-third of the Republic is forest, one-tenth mountainous and unproductive land, and less than one half is fit for agricultural purposes. There are some important industries, although most of the industrial centres of the old Empire were in Bohemia, which now forms part of Czechoslovakia.

Vienna may be regarded as the keystone of the present Republic and on its well-being depends the general prosperity of the new State. Prior to the war Vienna was the financial and distributing centre for the whole Empire, and efforts have been made to restore to it some of its former importance. The separation of the Austrian Republic from the rest of the Empire took place at a time of intense racial feeling and severe economic distress, and was followed by a long period of strained relations with the neighbouring States. These States all introduced measures restricting imports and exports, created high tariffs and endeavoured to foster as far as possible the growth of their own capitals as commercial centres. In consequence, the efforts to restore Vienna have been only very moderately successful.

2. FINANCIAL.

2(a) General Financial Position.—The period up to August, 1922, was marked by continued depreciation of the Austrian krone, the value finally reaching 350,000 to the £. Towards the end of 1922, the Republic was in a state of chaos and a collapse was imminent. At this period the League of Nations intervened, and under its auspices a long term loan amounting to £27,820,000 was obtained, the Austrian Republic agreeing to submit to the financial control of a High Commissioner appointed by the League and to initiate a definite programme of higher taxation and lower expenditure, so that a permanent equilibrium should be reached by the end of 1924. This result has not, however, been attained.

The Budget for 1924 shows a net income of £27,200,000 (8,442 milliard kronen), net expenditure of £29,300,000 (9,107 milliards), and a deficit of £2,140,000 (665 milliards). To this deficit must be added about £1,600,000 (500 milliards) for an increase of the pay and pensions of the State employees already granted; while further expenditure on this account, resulting from later negotiations, is expected to amount to at least another £1,600,000 (500 milliards), and will probably be more. There will, therefore,

ultimately be a budget deficit of over £5,300,000 (1,665 milliards). The revenue estimates in the preliminary budget are, in accordance with the Austrian custom, based on the existing taxation, and to bring this deficit down to the programme figure of £473,000, as the Government is instructed to do under the budget law, about £5,000,000 has to be saved or found. New taxation and higher prices for monopoly articles have been proposed; the price of cigars and the railway freights have already been increased. In addition, economies are contemplated. Great difficulties, both political and administrative, have, however, been experienced in carrying through the economies planned, and consequently the expenditure has not been diminished so much as was intended. It is true that the deficits have been kept down, but this has only been made possible by the very high revenue receipts. The High Commissioner fears that these may decline in the near future, because taxation may be too high for the country to stand.

According to the Geneva plan, the control is to last until a permanent equilibrium between the expenditure and revenue in Austria is attained.

2(b) Financial Burdens and Capital Resources.—The total debts of the Austrian Republic are given in the budget at 26,227 milliard kronen (£84,600,000) at the end of 1923, as compared with 27,525 milliard kronen (£88,000,000) in 1922. Taking the population at roughly 6½ million, this amount works out at about £13 per head of the population. The greater part is for the relief credits and League of Nations loans. The pre-war debts have been reduced during the year from £3,630,000 (1,127 milliards) to £1,060,000 (330 milliards), and the war debts from £1,280,000 (396 milliards) to £29,000 (8·9 milliards): that is to say, the pre-war and war debts have been reduced by £3,821,000 (1,184 milliards) to £1,089,000 (339 milliards).

2(c) Credit Position.—Industries have generally lived on short-dated loans and as much as 20-30 per cent. interest has been paid. The bank rate was raised to 15 per cent. in August, 1924, but has since been reduced to 11 per cent. (April, 1925). The rates charged by the banks for loans to manufacturers are also lower, but are still very onerous. Following a boom in 1923, there was a very severe slump on the stock exchange at the beginning of 1924, and this was aggravated by heavy losses on the part of "bear" speculators in francs. As a result, there were numerous failures, principally of mushroom firms of post-war origin, although two large banks went into liquidation and the position of many other concerns was affected. This financial crisis led to a considerable loss of capital, injured the prestige of Vienna as a financial centre, and caused uneasiness amongst British exporters, few of whom are willing to give credit unless to very old established connections or against bank guarantee.

Many firms are experiencing difficulty in obtaining payment, not so much because the Austrian firms cannot pay, but because they are unwilling to meet their engagements, as they can lend their money out privately at 25 per cent. per annum in Austria on good security.

3. ECONOMIC DEVELOPMENT.

3(a) Agriculture.—Agriculture declined considerably during the war and only very slow recovery is being made; for instance, the amounts of the chief cereals harvested for 1922 and 1923 as compared with pre-war years are:—

PRODUCTION IN QUINTALS.

——	Average 1909–1913.	1922.	1923.
Wheat	2,706,542	2,019,889	2,419,122
Rye	5,678,672	3,451,799	4,022,599
Barley	1,691,865	1,219,095	1,710,173
Oats	4,054,036	2,658,662	3,753,775
Maize	731,250	883,191	876,400

Note.—The above figures refer to Austria as at present delimited.

Sugar beet is more than 50 per cent. below pre-war production, but potatoes show some approximation to pre-war figures. Considerable quantities of foodstuffs are imported. It is, however, estimated that the use of better seed would increase the production of cereals by over 50 per cent., and a further increase could be gained by intensive methods of cultivation. Cattle and dairy farming is improving. Shortage of labour, lack of capital, and high rates of interest check general development.

3(b) Mining.—The most important mineral wealth consists of the ore deposits of the Erzberg, which are worked by the Alpine Montangesellschaft of Vienna. This concern was formerly controlled by a German group under the late Herr Hugo Stinnes and Italian interests under M. Castiglioni. There has recently, however, been a regrouping of interests, and the control is now distributed between French, German, Italian and British concerns. The mines are not very fully developed, owing to the shortage of suitable labour and the general economic depression.

The annual pre-war output of magnesite was approximately 220,000 tons; since the war the output has only been a little over one-half of this amount.

Salt is a Government monopoly which, prior to the intervention of the League of Nations, was being worked at a loss. The annual pre-war production was 160,000 tons, but the present output is considerably less.

The coal mined is mostly lignite; bituminous coal has to be imported. With the development of water power decreased consumption of coal is likely. 1923 was an exceptional year for the import of British coal into Austria, the figures being 92,000 tons of coal and 35,000 tons of coke, as against 29,000 tons and 4,000 tons, respectively, in 1922. This increased import was due to the failure of German supplies.

3(c) Water Power.—Great efforts have been made to develop water power and to introduce electrification schemes. Between 1921 and 1923 inclusive, schemes estimated to produce 186,000 horse power were commenced, and works capable of producing 36,300 horse power were completed.

3(d) Railways.—The administration of the Austrian railways has been transferred to a special corporation, and an extensive electrification plan has been adopted. The completion of the railway electrification plan has been made possible by the advance by the High Commissioner of about £2,500,000 (42 million gold crowns) out of the League of Nations loan.

4. INDUSTRIAL POLICY.

Austria has many industries and in some branches, such as iron and steel, furniture and wooden goods, wood pulp and paper, rubber wares and cotton and woollen yarn, the normal production exceeds internal requirements. At present Austrian industries are suffering from a period of depression, and are likely to continue to do so for some time, owing to the loss of nine-tenths of their former protected markets. Shortage of capital, high rates of interest, poverty of a large part of the population and restrictive import regulations of neighbouring States are additional handicaps. These conditions hamper the setting up of new industries, although efforts are being made to establish weaving mills. The spinning mills of the pre-war empire were situated mostly in Austria and the weaving looms in Bohemia, now part of Czechoslovakia. There is also a large making up trade in Vienna. At the present time cloth has to be imported, or else the surplus yarns must be sent to Czechoslovakia to be woven and the cloth so produced imported. This system is uneconomic under present conditions; hence the desire to establish weaving mills. No great development is, however, likely to take place for some time, but the establishment of weaving mills will react against the present British trade in cloth, in view of the tariff duty likely to be introduced to help the new industry.

There has also been a tendency towards co-operation with Czechoslovak firms and the reconstruction of some of the former price control syndicates. The Alpine Montangesellschaft (Iron and Steel) have come to an agreement with the leading Czechoslovak iron works under which sale prices in their own and neighbouring countries are regulated.

5. EXTERNAL TRADE.

The importance of Austria in international trade and finance is due principally to the situation of Vienna. The value of invisible exports is very high and the figures published regarding the export trade do not give any reliable index as to the import capacity. The Austrian statistics of values, when converted into sterling, are as follows :—

—	1921.	1922.	1923.	1924. (Jan.–Mar.)
	(£)	(£)	(£)	(£)
Imports	70,846,000	73,220,000	77,122,000	21,021,000
Exports	37,673,700	46,309,000	43,238,000	9,834,000
Excess of Imports over Exports	33,172,300	26,911,000	33,884,000	11,187,000
Exports per cent. of Imports	53	63	56	47

It will be seen that, while the value of the imports in 1923 rose, that of the exports fell. The excess of imports over exports showed a large increase during 1923, and this was still more marked in the first months of 1924. This growth of the adverse balance of trade has excited some alarm.

The rise in the imports during the latter part of 1923 and the first part of 1924 was chiefly in articles of food and drink and in finished goods, rather than in materials and machinery for the improvement of industrial and agricultural manufactures. The increased consumption of articles of luxury is most marked in the first quarter of 1924. This increase is likely to fall off considerably owing to the financial crisis.

Although the invisible exports are considerable, they are not sufficient to make up a deficiency of £30,000,000 on the trade balance. To make up this deficiency, Austria must live partly on its capital either in the form of foreign credits, public or private, or by selling securities abroad.

6. COMMERCIAL POLICY.

The commercial policy of the Austrian Government is very largely influenced by that of the neighbouring States. The successful development of Austria depends to a large extent on Vienna's regaining its former position as a merchant centre. This revival is, however, considerably hampered by the restrictive import and export measures and tariff policies of Austria's neighbours.

Efforts have been made to conclude commercial treaties, but experience has shown that such treaties are of little value so long as import and export restrictions are in force, since it is held that these are not subject to the " most favoured nation " clauses. In consequence, Austria has adopted the policy of import and export restrictions which give her a weapon with which to bargain with her neighbours. It is interesting to note that the United Kingdom has been offered a smaller " contingent " for the import of automobiles than that granted to Germany and Czechoslovakia, where import restrictions are rigidly enforced.

As regards prohibitions, Austria complains that the export prohibitions imposed by Roumania, Hungary and Jugoslavia compel her to buy meat and grain overseas at higher prices. The object of the other States is, however, to keep down the prices of foodstuffs, under pressure from the town population, and Austria does just the same with goods like paper and wood, of which she has an abundance and which her neighbours require. But no attempt is made to fix the prices of these goods by Government regulations.

On the whole, there has been but little improvement during the last year in this matter of prohibitions; more is hoped for when the countries in the south-east of Europe have finished drawing up their new import tariffs. Austria has, however, modified her regulations for the State control of foreign exchanges, so that they are no longer an obstacle to trade, and interfere much less with financial transactions than formerly.

A Government Bill embodying a new Austrian customs tariff was laid before the National Assembly in May, 1924. It involves increased duties on most manufactured and many semi-manufactured goods, together with the re-imposition of duties on foodstuffs. The new import tariff was introduced on 1st January, 1925. This should involve, in due course, a complete revision and modification of the present system of import restrictions.

The object of the tariff is to give increased protection to the old-established industries, such as spinning, leather, machinery, shoes and cement, in order to compensate them in some measure for the restriction of their protected market, and also to foster some of the new branches of production that are being developed in Austria since the factories in Czechoslovakia became foreign concerns —for example, glass, earthenware and cotton and woollen piece goods. On the other hand, the duties on some goods in which the present Austria is not interested are reduced or abolished.

Probably British exports will be less affected than those of some other countries, because many British manufactured goods are bought for their quality rather than their price. In some cases, however, the new rates may prove almost prohibitive.

7. COMPETITIVE SITUATION.

The most important British exports to Austria normally are leather, textiles, iron, and raw and semi-manufactured materials from overseas. The finished goods exported are chiefly of the highest class. The chief competitors are Germany and Czecho-slovakia, which have a great advantage by reason of their geographical situation. The value of British exports to Austria is in fact small, being only 2·4 per cent of the total foreign goods imported. There is also a large amount of re-export trade, and certain quantities of goods are exported to Austria *viâ* Hamburg which do not figure in the statistics as imports from the United Kingdom.

The Austrian and British official figures are as follows :—

	Austrian.		British.	
	1922. (£)	1923. (£)	1922. (£)	1923. (£)
British exports to Austria ...	1,724,000	1,807,000	1,039,914	1,137,608
British re-exports to Austria ...			413,041	391,767
			1,452,955	1,529,375

There has been an improvement in the imports of British asbestos, china clay and scrap iron. There have also been increases in textile and other machinery and in motor cycles. The increased demand for light motor cars deserves special notice. There has been a decline in the British share of the imports of metals, especially lead, tin and copper.

During 1923 there was an exceptionally large import of British coal. This, however, is directly attributable to the failure of German sources of supply and is not likely to be maintained.

The chief British interest in Austria is financial, and probably the best way to increase the sale of goods to Austria would be to combine it with finance. There is at present a great shortage of capital, and many waterpower and mining schemes are in abeyance on this account. Would-be borrowers have become more willing, in principle, to expend the money in purchasing necessary material in the United Kingdom, but there has been difficulty as regards the purchase of manufactured goods when similar articles are made in Austria.

HUNGARY.

Population (1924) ... ... 8,160,000.

British Trade Returns. Merchandise only.	1922. (£1,000.)	1923. (£1,000.)
U.K. exports to Hungary	205	154
U.K. re-exports to Hungary	27	12
U.K. imports from Hungary	408	674

Hungarian Trade Returns. Merchandise only.	1922. (1,000 gold crowns.)	1923. (1,000 gold crowns.)
Total imports	539,400	422,985
Imports from United Kingdom	16,800	6,591
Percentage from United Kingdom ...	3·1%	1·6%
Total exports	330,100	338,088
Exports to United Kingdom	5,900	8,511
Percentage to United Kingdom	1·8%	2·4%

Currency.—The unit of currency is the korona, or crown. The par rate of exchange is kr. 24·02 = £1. In 1921 the rate reached 4,750. At the end of 1922 it was 10,750, and at the end of 1923 it was 85,000. It subsequently fell to over 395,000. At present the currency is stabilised on a sterling basis (Kr. 346,000 = £1).

1. GENERAL.

The Treaty of Trianon reduced the area of Hungary from about 325,000 to about 93,000 square kilometres, that is to say, roughly from the size of the British Isles to that of Ireland. The former Hungarian State, which included the Crown lands of Croatia and Slavonia, now merged into the Kingdom of the Serbs, Croats and Slovenes (S.H.S.), was an agricultural country which was able to provide food, not only for its own 20,000,000 inhabitants, but also for a considerable part of Old Austria, with its population of 22,000,000. The present Kingdom of Hungary, with a population of about 8,000,000 people, is even more markedly agricultural than the old. The whole Trans-Danubian territory south and west of Budapest is purely farmland and ranks amongst the most fertile in Europe. The effect of the territorial changes has been, on the one hand, to deprive the country of most of its forests, salt, iron ore, gold and bituminous coal, and to restrict the market for its produce to a population of 8,000,000 instead of over 40,000,000. On the other hand, the new Hungary is racially homogeneous, possesses its own independent customs boundaries and has developed a strong desire for economic independence.

2. FINANCIAL.

2(a) Financial Burdens and Capital Resources.—If the conditions of the League of Nations loan are properly carried out during the next two years financial stability may be assured. The total estimated amount of the National Debt in July, 1923, converted into sterling at the then rate of 49,000 korona to the £, was as follows :—

	£
Pre-war debt	33,233,000
Debts incurred during and after the war ...	3,167,000
	£36,400,000

or under £5 per head of the population. This debt does not include Reparation charges, which have provisionally been fixed at 20,000,000 gold korona, repayable in the course of the next 20 years, in accordance with the League of Nations scheme.

The State revenues are derived from customs, taxes, the tobacco and salt monopolies, mining royalties and State enterprises, such as railways, certain coal mines, Danube ports, etc. The three principal sources of revenue, namely, the customs and the tobacco and salt monopolies, have been hypothecated to the service of the League of Nations loan of 250,000,000 gold korona, 1924-1944.

For the period May, 1924, to December, 1926, the Hungarian State finances will be under the control of Mr. Jeremiah Smith, the Commissioner-General appointed by the League of Nations. The principal object of this control is to ensure the balancing of the budget, and, in case this should not have been achieved by the end of the period, a further period of control is expressly provided for.

The Commissioner-General forwards to the Council of the League of Nations monthly reports on the general financial and economic situation. According to the report for October, 1924, the position of the Hungarian Treasury on November 1st, based on the provisional accounts available, was substantially as follows :—

	Estimated Budget Deficits Millions of Gold Crowns
July	11·8
August	10·8
September	11·1
October	5·8
Total estimated deficit	39·5
Excess of gross receipts over budget estimates	17·6
Total deficit for four months ...	21·9

In November and December there was a considerable surplus of revenue. As a result, the provisional figures for the first six months are considerably better than those of the Reconstruction Plan :—

	Reconstruction Plan.	July-December, 1924.
	Million Gold Crowns.	
Expenditure (net) ...	186	206
Receipts (net) ...	144	208

The estimates for January-March, 1925, show a surplus of revenue of about three millions.

The high level of revenue is a matter for satisfaction. Receipts, however, are likely to fall in the remaining months of the financial year, and the figures " cannot be considered to provide sufficient data from which to draw permanent conclusions." (Report of Commissioner-General.)

2(b) Credit Position.—Owing to the depreciation of the currency during the past four years, no secure basis for credit was available and cash in advance or on delivery was the rule. Where credit was given on imported goods, a first class bank guarantee was required, but was only obtainable at a high rate of interest and for a short period of three to six months.

Hungary has in consequence passed through a credit crisis owing to the lack of capital for productive purposes. Heavy taxation and internal loans have decreased the liquid capital in private hands. Banking institutions which borrowed from the Hungarian National Bank at 10 per cent. per annum were disinclined to lend money for industrial undertakings on short term loans under 40 per cent. Long term credit, whether for agriculture or building, was practically unobtainable on any terms. The result of this lack of capital and credit was a slackening of work in all branches of manufacturing industry and a decrease in the purchasing power of the whole community. The credit situation has, it is reported, recently improved. This is ascribed to the introduction of the League of Nations scheme, which has done much to re-establish confidence, both internally and externally, and there are already signs that foreign financiers are now more ready to place credits at the disposal of Hungarian banking and industrial firms.

The rate of interest for weekly money, which was once as much as 16 per cent. per week, has fallen to ¼ to ½ per cent.

On September 17th, 1924, however, the National Bank increased its rate for discounts from 10 to 12½ per cent. This increase was very unexpected and was made the subject of criticism. But the effective rates of interest in Hungary do not bear any relation to the discount rate of the National Bank, and the increase is not expected to have any very adverse effect.

The cost of bankers' money to trade and industry is approximately 20 per cent. This rate is regarded as being still too high to allow a full recovery of trade.

3. ECONOMIC DEVELOPMENT.

3(a) Agriculture.—The position of Hungary in foreign trade depends in the main on her capacity to export surplus agricultural produce. Farming, the staple industry, is somewhat old fashioned and scarcely any improvements or intensive methods have been adopted since 1914. This is due principally to lack of capital, which prevents the purchase of fertilizers and agricultural machinery, and also to transport difficulties. The most important agricultural products are wheat, flour, and other cereals (rye, barley, maize); beet sugar, pigs, poultry and wine.

3(b) Mining.—The mining of lignite is in a prosperous condition. In 1923, 7,500,000 tons were produced, an amount amply sufficient for the requirements of the country in this description of coal. With the exception of the Pecs mine in South Eastern Hungary, there is no bituminous coal whatever and this commodity has to be imported. During 1923, 760,000 tons of coal and coke were imported, of which 30,000 tons came from Great Britain. British coal and coke has to compete with Czechoslovakian, Silesian and Ruhr products, and therefore any development in this trade, unless in some special quality, is unlikely, owing to freight costs. Nearly all the Pecs mine output has been devoted to reparations.

3(c) Railways.—The railways are mostly State owned and easy to run, as there are no hilly districts and therefore no severe gradients. They are, however, overstaffed and are run at a loss. It would be possible to electrify them by erecting power stations on the lignite fields. Nothing beyond plan-making has been done in this direction.

3(d) Roads.—The country roads are primitive and useless, except for local horse and ox-spanned vehicles. Motor car traffic is confined to Budapest.

3(e) Waterways.—The country is watered mainly by two rivers, the Danube and Theiss (Tisza), on which freight is carried for eight months of the year. The winter is severe and the rivers are closed for traffic during that period. This heightens the cost of transport during the winter months. The Danube is now an international highway. The International Danube Commission exercises a general control above Galatz, *i.e.*, over the portion of the Danube not controlled by the European Commission. In addition to the countries represented on the European Commission, namely, the United Kingdom, France, Italy and Roumania, there are on the International Commission two representatives of Bavaria and Wurttemberg, one representative of each riparian State, and one representative of each non-riparian State which may in the future be represented on the European Commission. The International Commission enforces equal rights of navigation and exercises general control over dues, customs, police, ports and public works.

4. INDUSTRIAL POLICY.

The promotion of the textile industry has been a special object of successive Ministers of Commerce, and a certain amount of success has been attained. There are now 5,000 looms with 80,000 spindles either working or being mounted, and in a short time the total will reach over 100,000 spindles. In the carpet industry there are 490 looms and 4,000 knitting machines of various kinds. The jute and hemp industry employs 12,500 spindles and 685 looms; silk, 600 looms and 620 boilers; printing and dyeing account for 42 rollers. There are 147 textile factories in Hungary with an estimated capital of 360,000 million korona, of which 30 were established in 1923. Practically all the new looms and spindles were bought from Czechoslovakia.

The effect on British trade of industrial promotion in the various branches of textile manufacture is not likely to be of any serious importance.

It may be added that the industrial policy of Hungary favours the establishment of new industries by foreigners with foreign capital by remission of taxation and customs duties on machinery.

The only other industries of any importance are the electrical motor, railway wagons (State and private), agricultural machinery (not tractors) and electric glass bulbs. These articles are being exported in considerable quantities to Yugo-Slavia, Roumania, Bulgaria and Turkey. The principal markets for electric bulbs are in Germany and U.S.A. Small quantities are exported to Egypt. There is no possibility of British goods competing in the Hungarian market with these articles, firstly on account of tariffs, and secondly because they can be produced sufficiently cheaply in Hungary itself. Agricultural machinery is manufactured in Hungary by firms originally established with British capital.

5. EXTERNAL TRADE.

The growth and value of exports from Hungary (an agricultural country) are liable to considerable annual fluctuation. This may be seen from the following figures of the agricultural production :—

—	1920.	1921.	1922.	1923.
	(In 1,000's of metric tons.)			
Wheat	1,032	1,435	1,489	1,843
Rye	514	588	639	794
Barley	472	466	483	594
Oats	324	319	327	399
Potatoes	2,072	1,249	1,345	1,334
Maize	1,274	805	1,241	1,251
Sugar beet	640	543	711	864

While imports have remained almost stationary during the three years 1921-23, exports showed a progressive increase. This increase is likely to be maintained as conditions become more settled.

—	Imports.	Exports.	Excess of Imports.
	(Millions of Gold Korona.)		
1920	417	164	253
1921	521	254	267
1922	539	330	209
1923	423	338	85

6. COMMERCIAL POLICY.

The commercial policy of Hungary has been frankly protectionist in the past and is likely to be so in the future, as its one great aim is to make Hungary economically independent. Hungary is, however, pre-eminently an agricultural country, and, as far as manufacture is concerned, is still in the embryonic state. Thus the business community is mainly dependent on the resale of imported articles—it is estimated that there are 15,000 agents in Budapest alone—and consequently any measure to restrict imports meets with considerable opposition. In order to correct the adverse trade balance, the Hungarian Government adopted restrictive measures in 1922, which were intensified in 1923. These measures took the form of (1) restrictions on the export of foreign currency, and (2) prohibitions of the import of goods except by licence, which covered only a small portion of the demand. British import trade was very severely handicapped by these restrictions on imports and foreign exchange transactions. This was all the more to be deplored as the demand for British goods, especially textiles and leather, was very great. The result of these restrictions was that the estimated value of British imports decreased from 17,000,000 gold korona in 1922 to 7,000,000 gold korona in 1923. Owing to continuous representations made by His Majesty's Legation at Budapest, an improvement took place in the spring of 1924, and the Hungarian Government allowed the import of a fixed monthly contingent of textiles from Great Britain.*

The establishment of the National Bank in June, 1924, and the consequent mitigation of the measures restricting the export of foreign currency have contributed to a general revival in trade

Commercial agreements have been concluded with Yugoslavia and Roumania, and negotiations are in progress or in prospect with Austria, Czechoslovakia and Italy. In the event of their

* On 1st January, 1925, a new tariff came into force, and all import restrictions were withdrawn.

favourable conclusion, an important step will have been taken towards the establishment of an increased interchange of goods and greater freedom of commercial intercourse in Central Europe.

7. COMPETITIVE SITUATION.

The principal manufactured articles in which British traders can hope to increase their sales are almost exclusively textiles of good quality—Czechoslovak and German competition is acute in cheap lines. Leather, especially sole, is also in demand, but has to meet home and foreign competition, principally German. The cost of railway transport affects the import of British machinery, steel rails and heavy goods of all kinds. Fancy and sports goods are in demand; but competition is met with from Germany and Czechoslovakia. The use of motor cycles is on the increase. At present British manufacturers are securing sales, owing to the high quality of their machines. Competition is keen in the following articles from the countries indicated :—

Cotton and cotton goods ...	Czechoslovakia, U.S.A., Switzerland, Austria, Germany.
Linen, hemp.	Yugoslavia (hemp only), Austria and Czechoslovakia.
Woollen and woollen goods	Austria, Czechoslovakia and Germany
Made-up textiles	Austria, Germany, Czechoslovakia.
Leather	Austria, Czechoslovakia and Germany.
Iron and iron ware	Germany, Czechoslovakia, Austria.
Soap	U.S.A., Germany and Austria.
Metals	Germany, Austria, Yugoslavia, Poland and Czechoslovakia.
Machinery	Germany, Czechoslovakia, Austria.
Electrical apparatus ...	Germany, Austria.
Motor cars and parts ...	Italy, Austria, France, Germany.
Coal	Czechoslovakia, Poland, France.
Colonial wares, tea, coffee	Holland.

CZECHOSLOVAKIA.

Population (1921) 13,611,349
(Census—16th February.)

British Trade Returns. Merchandise only.	1923. (£1,000.)
United Kingdom exports to Czechoslovakia ...	994
United Kingdom re-exports to Czechoslovakia ...	107
United Kingdom imports from Czechoslovakia ...	8,300

Czechoslovakian Trade Returns. Imports and Exports in the Free Trade (including Bullion and Specie).	1923. (1,000 crowns.)
Total imports	10,222,288
Imports from United Kingdom	336,609
Percentage from United Kingdom	3·3%
Total exports	12,573,315
Exports to United Kingdom...	1,219,221
Percentage to United Kingdom	9·7%

The discrepancy between the British figures for exports to Czechoslovakia and the Czechoslovak figures for imports from the United Kingdom may be accounted for by the fact that the former are based on the actual countries to which the goods are consigned, whilst the Czechoslovak figures are based on country of origin. Considerable quantities of merchandise shipped through Hamburg and Trieste, and recorded in the Trade Returns of the United Kingdom as consigned to Germany, or Italy, as the case may be, ultimately reach Czechoslovakia and are there recorded as emanating from the United Kingdom.

Currency.—The unit of currency is the crown. The par rate of exchange is 24·017 to the £. The annual average rates of exchange during the past five years have been as follows :—

1920	253	1922	195
1921	308	1923	155
	1924	149	

1. GENERAL.

Czechoslovakia is a new country carved out of the Austro-Hungarian Empire. It has an area of 54,000 square miles, or a little less than the area of England and Wales. Its population is composed of 6·8 million Czechs, 3·1 million Germans, 2·0 million Slovaks, 0·7 million Magyars (Hungarians), and smaller numbers of other races.

A census of occupations gives the following figures: 44 per cent. are engaged in agriculture, 31 per cent. in industries, 10 per cent., in commerce and transport and 14 per cent. in professions.

Of the total area. 42 per cent. is arable land; 19 per cent., pasture land; 33 per cent., forests; 1 per cent., orchards, vineyards, etc.; 1 per cent., lakes; and 4 per cent., unproductive land.

2. FINANCIAL.

2(a) General Financial Position.—Notwithstanding the many difficulties which present themselves to the administration of a new state, Czechoslovakia, comparatively unaided from outside, has attained relative financial stability. By strong measures the Czechoslovak Government has succeeded in placing the public finances in a state approaching equilibrium. The result has been the effective stabilisation of the crown round about 150 to the £ sterling. The general financial condition of Czechoslovakia compares favourably with that of neighbouring countries

2(b) Financial burdens.—The comparatively satisfactory financial condition of Czechoslovakia is due to a large extent to the measures taken by the Government to reduce the national expenditure and to balance the budget Although there is still a deficit, it is being gradually reduced, and in the estimates for the budget for 1925, which were laid before the Czechoslovak Parliament on October 30th, 1924, it amounts only to 1,591,235,000 crowns. On the other hand, the budget for 1925 has not brought the expected alleviation to the domestic situation, as the reduction in expenditure of nearly 2,000,000,000 crowns, as compared with the figures for 1924, is not sufficient to allow of any material decrease in taxation.

There is therefore no possibility of the abolition of the tax on coal, nor of a material reduction in the railway rates, which would have helped in some measure to bring down the cost of living.

The following are the official figures of the budget estimates for the years 1923, 1924 and 1925 :—

Expenditure.	Budget in 1,000 crowns.		
	1923.	1924.	1925.
Ordinary	19,377,881	16,993,977	15,974,169
Development and reconstruction.	2,999,771	2,229,230	1,319,083
Total	22,377,652	19,223,207	17,293,252
Revenue	*18,812,391*	*16,391,293*	*15,701,917*
Deficit	*3,565,261*	*2,831,914*	*1,591,335*

No figures are available to show how far the actual revenue and expenditure for 1923 corresponded with the budget estimates. Revised figures for the budget of 1925 have since been submitted, but, as these exclude figures for certain State-managed enterprises which it is now proposed to run as separate entities, the earlier figures have been retained as furnishing a better basis for comparison.

No allowances have been made in the budget for reparation liabilities, and no efforts have apparently been made to fund the deficits incurred during the last two years, so that these deficits must be added to the large existing floating debt.

The Ministry of Finance has so far been successful in renewing the major part of the Treasury bills, but recent renewals have only been achieved with difficulty, as the banks, who had suffered losses in industry and trade, were not in a position to grant the same accommodation as formerly and stipulated that they would only renew the bills on condition that the renewed bills could be used by them as security to obtain advances should occasion arise.

Under present conditions the Czechoslovak Government cannot meet the Treasury bills from normal sources of revenue, and are faced with the alternatives of renewing the bills on the above terms, or of liquidating them from the proceeds of loans raised abroad.

The public debt of the Czechoslovak Republic is as follows :—

	Crowns (millions).
1. Internal Loans :	
(*a*) Long term	15,963
(*b*) Short term	7,812
2. External Debts	5,278
3. Debt under Treaties of Peace	4,300
4. Debts resulting from currency reform ...	5,509
	38,862

2(c) Credit Position.—The stabilisation of the Czechoslovak crown at the beginning of 1923 and the collapse of German competition, at the time of the occupation of the Ruhr, materially assisted in overcoming the economic depression. There has, however, been a serious shortage of liquid capital, which has been intensified by the policy of restricting credit adopted by the Government and the banks. The result has been that many old-established firms have found it difficult to meet their engagements. During the last few months various credits have been obtained from abroad, and this has given relief to the money market. The most important of these credits were those granted by a consortium of British and American banks to the Czechoslovak banks and institutions for financing the sugar exports.

The bank rate since May, 1924, has stood at 6 per cent., but the lowest rate at which industry has obtained money from the banks is stated to be 12 per cent.

3. ECONOMIC DEVELOPMENT.

The internal economic development of the country is proceeding very satisfactorily, but there are great natural resources yet to be tapped.

3(a) Mining.—In 1923, notwithstanding a coal strike, 12,152,000 tons of hard coal and 16,009,000 tons of lignite were produced, of which 1,674,000 tons of coal and 2,086,000 tons of lignite were exported, against an import of 832,000 tons of coal and 35,000 tons of lignite.

The present production of coal is below that of 1913. This is attributed to the intensive and wasteful exploitation of the mines during the war years, and to increased costs of production and limitation of markets (considerable competition now being met in Austria, Hungary and the Balkan States).

Rich deposits of other minerals are to be found in Czechoslovakia, and the country possesses the largest deposit of radium yet found in the world.

3(b) Timber.—Czechoslovakia is one of the richest of all European countries in timber, the forest lands covering one-third of the country; and 5 per cent. of the total population is employed, in some form or another, in the timber trade. Approximately 7,000,000 metric tons of timber are produced annually; approximately 3,800,000 metric tons were exported in 1923. The production is, however, capable of great expansion.

The exports of timber in order of importance are building timber, pulpwood, pit props, sleepers, and firewood.

There has been a considerable increase in the export of timber to the United Kingdom.

3(c) Agriculture.—Agriculture is highly developed in Czechoslovakia, and intensive farming is everywhere carried on. Between 5,000,000 and 6,000,000 tons of sugar beet are raised annually, and the estimated production of sugar for the 1924-25 season has been put as high as 1,400,000 tons, or substantially above 1913-14, when 1,268,600 tons of sugar were produced. Hops are grown both for use at home and for export.

Since 1921 the area returned as arable has remained in the neighbourhood of 5,900,000 hectares. This is rather below the level of 1920, but the principal cereal crops—wheat, rye, barley and oats—have all been higher than in that year. The potato crops have also been higher. Attempts have been made to compile a stock census, but owing to the reluctance of the

peasants to furnish adequate information the returns are admitted to be very faulty. It is, however, generally accepted that the Czechoslovaks have now more live stock per farm than before the war, and that there is still a tendency to increase the number. Owing to this increase Czechoslovakia may in the near future compete in the bacon and lard markets of the neighbouring states.

Attempts are being made to colonise the abandoned estates in Slovakia, and successful Czechoslovak farmers and farm labourers in America are being tempted to return to Czechoslovakia by offers of land.

3(d) Railways.—Railway communication suffers from the fact that the main lines were built before the war to run from north to south, converging on Vienna and Budapest, and now have to serve a traffic from east to west. This change requires considerable adjustments and capital outlay, and in view of the undeveloped state of Slovakia there is no prospect of adequate returns for some time. In consequence, the reorganisation is only proceeding very slowly.

The electrification of the railways of the more industrialised portion of Bohemia is under consideration.

3(e) Waterways.—The nationalization of river transport has made further progress, through the flotation of the Czechoslovak Oder Shipping Company, in which the Government holds a controlling interest, and the construction of new canals continues to form a frequent subject of discussion. The new schemes demand larger capital investments than can be provided at present, and in consequence there is a certain amount of traffic congestion. During the winter months traffic is held up, owing to the freezing of the canals and rivers.

Under the Treaty of Versailles Czechoslovakia has been granted warehouse facilities in the free port of Hamburg, and goods can be transported direct by barge between that port and Prague. There is a possibility in the near future of a direct waterway between the North Sea and the Black Sea through Czechoslovakia, by the cutting of a connecting link to unite the Elbe and the Danube.

3(f) Water Power.—The use of water power in connection with hydro-electric schemes has made some headway, but there are great possibilities for the further utilisation of the water power resources of the country, with a prospect that the demand on the coal resources of the country will be lessened.

3(g) Roads.—The roads of Czechoslovakia stand greatly in need of improvement, but there is little chance at present of much attention being paid to them.

4. INDUSTRIAL SITUATION AND POLICY.

The formation of Czechoslovakia as an independent state had a great economic effect on the industries of the country. The Austro-Hungarian provinces which now constitute Czechoslovakia, produced 83 per cent. of the coal, 90 per cent. of the sugar, 85 per cent. of the hemp, and 97 per cent. of the flax produced in the whole of the Austro-Hungarian Empire. Indeed, the new country found itself in possession of 80 per cent. of the whole industry of the former Empire.

The industrialists, on the other hand, found their home market reduced from a population of 52 millions to 13½ millions, as the other states of Austria-Hungary had become for them foreign territories, on entry into which Czechoslovak manufactures had to pay customs duties, and in which they had to compete on equal terms with the manufactured goods of other countries. The situation thus created was resolutely faced, and every effort was made by the Czechoslovak industrialists to adjust themselves to the new conditions.

The contraction of the pre-war home market was not the only difficulty encountered. Following upon a mild industrial boom in 1921, Czechoslovak industry had to face a series of trade depressions brought about in part by the general world depression in trade, and in part by the measures taken by the Czechoslovak Government to improve at all costs the finances of the country and to stabilise the currency. The appreciation of the crown resulted in costs of production becoming too high to enable the manufacturers to meet competition in most of the country's markets. Exports fell off with alarming rapidity, stocks of raw materials and finished goods became temporarily unsaleable, and unemployment increased. It is, however, considered that the extreme depth of the depression has been passed.

The figures issued by the Czechoslovak Officer of Statistics show a constant decrease in unemployment during the first half of 1924. Whereas the number of unemployed in January, 1923, amounted to 441,075, the figures fell in February, 1924, to 195,872, in March to 180,002, in April to 140,001, in May to 108,363, and in June to 85,966, while at 31st December, 1924, the number stood at 81,040.

The position of industrialists is still one of great difficulty and anxiety, but the constant decrease in unemployment opens out favourable prospects for the future, and the increase in the buying capacity of the earning classes will exercise a favourable influence on the financial situation.

It is the fixed policy of the Government of Czechoslovakia to foster the national industries, and to favour the establishment of new industries, in order that the needs of the country can be supplied by its own manufactures. As the industries of Czechoslovakia are highly developed, and also highly protected, and as

Germany, by reason of her closer proximity and the consequent saving in rail freights, has considerable advantage over foreign competitors, the market in Czechoslovakia for British goods in general is likely to be very restricted.

The value of imports into Czechoslovakia from the United Kingdom in 1923 was 337,000,000 crowns. The greater part of the import trade from this country falls under the heading of wool (116 million crowns) and cotton (63 million crowns), including the raw and waste material, yarns and tissues in both instances. Other important classes of goods are iron and manufactures thereof (26 millions), machinery (16 millions), base metals and manufactures thereof (11 millions), chemicals, coffee and flour.

5. EXTERNAL TRADE.

Czechoslovakia consumes only about 30 per cent. of her manufactured products, and must find markets for the remaining 70 per cent. The general trade depression has, therefore, been a serious matter for the country, and during the past two years there has been a serious drop in the value of the goods exported. The value of the exports for 1923 amounted to 12,573,000,000 crowns, a reduction of nearly one-third on the value of the goods exported in the previous year, and over one-half on the value of the goods exported in 1921. Owing, however, to the appreciation of the value of the crown in the meantime, this reduction is in reality not so great as it appears to be. In fact, the weight of the goods exported in 1923 exceeded the weight of the goods exported in 1922. One favourable sign is that the prospects of a good sugar yield for the 1924-25 season are reported to be satisfactory. It is estimated that there should be a very considerable surplus for export after the home requirements have been met. The immediate revival in Czechoslovak exports is not, however, likely to be so great as to have any material effect on the imports into the country.

6. COMMERCIAL POLICY.

The commercial policy of Czechoslovakia is to afford all possible protection to the industries of the country by means of a high tariff barrier and a system of import restrictions. The import restrictions have been framed with a two-fold object: first, to prevent the entry of goods which compete with home manufactures, and secondly, to restrict the import of luxuries, the entry of which might adversely affect the exchange value of the crown. These restrictive measures on imports have been very strictly enforced, but latterly the severity of the protection has been modified to some extent, and a more elastic policy adopted.

In the commercial treaty which was recently concluded between the United Kingdom and Czechoslovakia, provision was made for the admission of certain goods from this country under

a " contingent " system. The quantities of these goods which could be imported under the system were provisionally agreed, but in certain cases negotiations between the two Governments have resulted in an increase in these provisional contingents.

One reason for maintaining the system of licences is that the Czechoslovak Government considers that it provides a very useful bargaining counter, especially in negotiations with the States of Central Europe and the Balkans; and the system will probably be retained until some sort of customs arrangement has been come to with Austria and Hungary, and possibly also with Roumania and the Serb-Croat-Slovene Kingdom.

7. COMPETITIVE SITUATION.

As a manufacturing country Czechoslovakia competes with British manufactures both in foreign markets and in our own home market. In 1923 Czechoslovakia exported to this country goods to the value of 1,219,000,000 crowns, or approximately £8,000,000 sterling. Glass, porcelain, leather, cotton goods, woollen goods, ready made clothing and hats are among the competing goods which we import from Czechoslovakia, and these, together with other manufactures such as locomotives and railway and tramway rolling stock, iron and steel manufactures and machinery, are among the products of Czechoslovak origin against which our manufactures are pitted in foreign markets, especially in the markets of Central and Eastern Europe and the Near East.

When trade revives the competition of the products of the cotton mills and engineering workshops of Czechoslovakia will be severely felt, particularly in the markets indicated. In Czechoslovakia itself British manufactured goods have to meet the competition of the home manufactures, for the country manufactures most of the goods which form the export commodities of Great Britain. It must therefore be repeated that, so far as manufactured goods are concerned, it is only in special classes, such as textiles of the highest quality, that we can hope to find a progressive market in Czechoslovakia.

GROUP 3.—NORTHERN EUROPE.

DENMARK.

	1901	1911	1921
Population ...	2,449,540	2,757,076	3,267,831

(Census—Denmark Proper only.)

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£,1000.)	1923. (£1,000.)
U.K. exports to Denmark ...	3,580	5,792	12,584
U.K. re-exports to Denmark ...	346	551	1,719
U.K. imports from Denmark ...	15,574	23,831	46,204

Danish Trade Returns. General Trade.	1904. (1,000 Kroner.)	1913. (1,000 Kroner.)	1923. (1,000 Kroner.)
Total imports	598,868	855,351	2,030,596
Imports from United Kingdom ...	90,172	134,561	407,073
Percentage from United Kingdom	15·1%	15·7%	20·1%
Total exports	497,836	721,290	1,684,843
Exports to United Kingdom ...	282,816	410,338	1,063,307
Percentage to United Kingdom ...	56·8%	56·9%	63·1%

Currency.—The unit of currency is the krone. The par rate of exchange is Kr.18·16=£1. The annual average rates of exchange during the past five years have been as follows:—

1920	23·431	1922	21·159
1921	21·656	1923	24·947
	1924	26·427	

1. FINANCIAL POSITION.

During the war Denmark prospered, but little of the wealth earned now remains, and the buying capacity of the country is no doubt less than it was before the war. One contributory cause of this state of affairs, which is worthy of notice, was speculation, both at home and abroad. During the boom period, shares quoted on the stock exchange with an estimated par value of Kr.1,000 million were quoted at some Kr.3,000 million, and it is probable that their present value is now below par. The loss on these shares is traceable beyond the speculators to the banks, which had often advanced loans on the shares beyond their face

value. Considerable purchases of German marks were also made by speculators and, while in some cases the holdings were used to purchase German goods, the majority had ultimately to be regarded as total losses.

Losses were also brought about by the uneconomic expansion of Danish trade and industry during and immediately after the war.

While there is no reason to doubt the financial stability of Denmark, her credit has undoubtedly suffered abroad within the last few years. There is, however, a hope that the budget for the year 1924-25 will afford a surplus, and the policy now adopted of restricting credits for the purchase of goods abroad, especially luxuries, may to some extent reduce the volume of imports. The national debt has increased from Kr.393,000,000 in 1915 to Kr.1,216,000,000 on 31st March, 1924 (of which Kr.522,000,000 is owed abroad), and inflicts a very heavy burden on the country.

1(a) Banking.—Since the war Danish banking has suffered some very heavy blows. During the early part of 1922, rumours, which had been current for some time, as to the conduct of the Landmandsbank became more definite. It was practically certain that the bank had been a heavy loser by its connection with certain trading companies and industrial concerns and firms of speculative brokers. Early in July it was announced that, in order to dispel these rumours once for all, the bank had decided to write off a large sum at the end of the year, after which the National Bank would subscribe a special reserve fund of Kr.30 million. This action, however, failed to put a stop to the rumours, which assumed such proportions that a " run " on the bank was feared. In September the Danish Chambers were convened in extraordinary session, at which it was decided that a preference capital of Kr.70 million should be subscribed by the State (Kr.40 million), the National Bank, the East Asiatic Company and the Great Northern Telegraph Company, while the National Bank also took over the special reserve fund of Kr.30 million; the original capital of the Landmandsbank, Kr.100 million, should be written down to Kr.10 million; while, of the future profits, a dividend of 5 per cent. should be paid on the preference capital and the special reserve fund, in that order, while any surplus profits should be devoted to amortizing the preference capital and " writing up " the original capital, the capital subscribed by the State being the last to be amortized. Further, the State undertook to guarantee such advances as the National Bank might find it necessary to make to the Landmandsbank during the period of transition. Various regulations were also made as to the future conduct of the bank, but practically no provision appears to have been made for any direct control by the State.

These measures failed to restore confidence, and it was decided, in February, 1923, after considerable criticism in Parliament.

that the guarantee given by the State should be made " absolute " until the 1st April, 1928. At the final reconstruction in February, 1923, it was shown that half the new capital of Kr.70 million, together with the whole of the special reserve fund, was lost. The remaining half of the new capital is intact, however, and the bank is therefore able to carry on without having recourse to the State guarantee. Since that date some of the losses have been recovered by the rise that has taken place in the value of some of the assets.

Attention has been focussed on the collapse of the Landmandsbank because of the very depressing effect which it had upon Danish business. It was the largest commercial bank, with about a third of the banking in the country under its control, and its ramifications in shipping, commerce, industry and insurance were wide. During 1923 and the early part of 1924 an all-round improvement in the situation has been noticeable, and only one bank of any importance, the Disconto Bank, has failed and gone into liquidation. Arrangements have been made for the satisfaction of foreign creditors' claims.

1(b) Exchange.—The Danish exchange has reflected the unsatisfactory financial position, and a depreciation in the exchange value of the kroner has taken place. In the middle of 1922, the Danish kroner stood at 20·55 to the £ sterling, against the normal rate of 18·16. In January, 1923, the rate had fallen to Kr.23·51, and the downward tendency continued until July, when the average rate was Kr.26·12 to the £. In the following month there was an improvement, but in October the kroner stood at 25·82 to the £. In December the rate was stabilised at Kr.24·45 to the £ until the end of the year. Shortly after the new year the kroner again fell rapidly, reaching Kr.28 to the £ on 11th March, 1924. Since that date there has been some improvement, which has been assisted by the introduction by the banks of a policy of increased stringency as regards credits, and of a measure for the control of transactions in foreign currencies by the Government. Proposals have now been adopted which it is hoped will have the effect of stabilising and improving the exchange, which is now in the neighbourhood of Kr.26 to the £.

In reviewing the figures given in the preceding paragraphs it should perhaps be borne in mind that, to a considerable extent, the expenditure of Denmark of recent years has been abnormal, on account of the European war. The reconstruction of Slesvig, the restocking of Denmark with livestock, the supply of artificial manure, the refitting of the Danish Mercantile Marine, have all been the occasion of abnormal expenditure, apart from the banks. The total extra expenditure under the above headings reaches a sum of about Kr.1,400 million.

During the next few years Denmark will have to bear a heavy financial burden in meeting maturing debt, but the steady

appreciation of the kroner, as compared with the dollar, since the middle of 1924, indicates an improvement in the financial position of the country.

2. ECONOMIC DEVELOPMENT.

2(a) Agriculture.—Denmark depends for her prosperity on her agricultural industry. For the past 50 years Denmark has devoted herself to the production of agricultural produce on scientific lines, as a result of which a large export trade in butter, bacon, eggs, and other produce has been built up on a system of arable dairying. The industry is now very highly organised, and extensive co-operative buying and selling organisations exist. It is to these organisations that a great deal of the credit for the stage of development reached is due. Danish produce is known the world over for quality and consistency. In recent years the State has granted assistance in various forms—loans on easy terms to smallholders, special educational facilities, the appointment of advisers.

2(b) Railways.—The railways of Denmark are chiefly State owned. They are efficient, and have again reached a pre-war standard of service. The locomotives are mainly made locally, those imported being used as models. Slight improvements only have been made in the system recently, and the necessity for economy makes considerable extension in the near future improbable.

2(c) Roads.—The roads are good for motor traffic, as the country is flat. Motor transport is increasing, and the roads naturally suffer. It is doubtful whether any construction work of importance will be undertaken until the situation of the country improves.

3. INDUSTRIAL POLICY.

Denmark is lacking in raw materials and fuel, and cannot, therefore, be regarded as an industrial country in the ordinary sense of the word. Her chief industries are closely related to agriculture, which furnishes them with supplies, *e.g.*, beet for the sugar industry, milk for the manufacture of condensed milk, pork for the bacon factories, edible oils for the margarine factories, and hides and skins for the tanneries.

The post-war boom period, accompanied by over-stocking of the market, had its usual sequel. The first to feel the effects of the depression were those new industries whose existence could not be economically justified, and these have practically disappeared. Competition in the older industries returned, and they were forced to write down values and to be content with smaller profits than they had looked for.

Agriculture absorbs about one-third of Denmark's population, the remainder deriving their livelihood from industries the maintenance of which, it is claimed, is a necessity to the economic welfare of the country. Apart from those industries dependent

upon agriculture for raw materials, there is a growing *cement* industry which has been able to meet British competition in certain overseas markets, and to defeat all competition on the home market. Denmark is the home of the *diesel engine*. Competition overseas is also experienced by British manufacturers from the Danish *dairy machinery* industry, which has been built up on the experience gained at home. The success of these industries does not, however, necessarily mean a complete loss to the United Kingdom, as they are dependent upon imported supplies of fuel, steel, etc.

Since the war a new industry, that of assembling *motor cars*, has sprung up. The Ford Company have their largest continental works in Copenhagen and the General Motor Export Company are also erecting an assembling factory with the object of supplying complete cars to the surrounding markets.

The remaining industries cater mainly for the home market, and their success largely depends upon the extent of foreign competition.

4. EXTERNAL TRADE DEVELOPMENT.

The exports of Denmark consist mainly of agricultural produce, and the future of her principal market, the United Kingdom, is watched with some anxiety. It is realised that increasing competition from Dominion and Colonial producers of bacon and butter will have to be met, especially as Danish methods of co-operation in buying, collecting and selling are being adopted. The industry, however, is alive and well-organised, and already the possibilities of other countries are being studied and tested. Attention is also being given to the production of milk, and to milk-handling, with the object of meeting the increasing demand for preserved milk.

The agricultural industry is at present in a satisfactory position, and little fear need be entertained that the country will not be able to adapt herself to any change in the demand for some of her products.

The demands of the industry have forced Denmark to import supplies of raw material. To some extent the excess of imports has been made good by invisible exports, such as profits from shipping (which ranks second in importance to agriculture) and by profits on other transactions conducted abroad. These profits have, however, not been sufficient to make good the whole of the deficit, and the national indebtedness has increased during the last few years.

5. COMMERCIAL POLICY.

A Bill for the reform of the tariff to convert it into an *ad valorem* system, introduced in 1921, had to be shelved indefinitely owing to opposition from all quarters. As a compromise, certain goods were added to the articles classified as "luxuries," and increased duties imposed upon them. In this list are to be found silk, silk goods, dried, and canned fruits, various articles

of clothing, carpets, etc. The object of these increases is not so much to provide revenue as to reduce as far as possible the unfavourable trade balance.

All foreign commercial travellers in Denmark are compelled by law to take out a licence. The fees for the licence have recently been doubled, and now amount to Kr.400 a year for the first firm represented, and Kr.200 for each additional firm.

6. COMPETITIVE SITUATION.

Before the war, Denmark was said to have earned her income in Great Britain and to have spent it in Germany, to a considerable extent on goods re-exported from that country. During the war efforts were made to import direct from producing countries, and some success has been achieved with supplies for the agricultural industry—for example, fodder stuffs. As regards other goods, Germany, assisted by her depreciated currency, has again become the principal source of supply. In fuel, however, Great Britain continues to hold her own. In 1923 the imports of coal and coke were greater than in 1913, in which year considerable quantities were imported from Germany. In 1923 only 33,600 m. tons of coal, out of a total import of some 3,226,000 tons, were received from that country. Denmark is almost entirely dependent upon imported fuel, and will remain so until she can proceed with an expensive scheme for the drawing of electric power from Norway.

An improvement in the Danish exchange would allow of increased imports of certain classes of goods from the United Kingdom.

British exporters of textiles have been losing some ground during 1923-24. Competition from Germany, France, Belgium, and Czechoslovakia has been considerable, and Swedish woollen goods have also been sold at very low prices. It is stated that the fact that British goods are quoted in sterling has proved a difficulty, on account of the possibility of appreciation in the £ by the time for payment, whereas French francs were not unlikely to depreciate. German and Swedish exporters, it appears, make a practice of quoting in Danish kroner.

Foot Wear.—As the result of the dumping of foot wear from Germany and Czechoslovakia, some measure of protection was afforded temporarily in 1922. Imports fell off, and the local industry reaped a further advantage during the period of uncertainty as to whether the protection was to be made permanent. It was withdrawn early in 1923, and only the " luxury " tax is now in force, admitting of some increase in imports. British goods are known for quality, but they are at present too dear in comparison with those from low currency countries.

Motor Cars and Cycles, etc.—There is practically no Danish output of cars and cycles. When the financial situation improves, there will probably be a demand for an all-weather

type of car, of better appearance than the Ford, which can be run and maintained at less expense. The handicap from which British vehicles suffer is the lack of depots for spare parts. In this respect both the American and German manufacturers hold a strong advantage.

Great Britain is improving her position as regards motor cycles, but the market is a small one.

Iron and Steel.—Germany, owing to her nearness to Denmark, is rapidly regaining her position.

NORWAY.

	1900	1910	1920
Population ...	2,240,032	2,391,782	2,649,775

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Norway	2,963	6,147	8,591
U.K. re-exports to Norway	360	518	730
U.K. imports from Norway	5,528	7,437	11,127

Norwegian Trade Returns. General Trade.	1904. (1,000 kroner.)	1913. (1,000 kroner.)	1923. (1,000 kroner.)
Total imports	292,148	590,784	1,342,870
Imports from United Kingdom	74,780	146,244	293,829
Percentage from United Kingdom ...	25·6%	24·8%	21·9%
Total exports	192,840	431,073	830,945
Exports to United Kingdom	76,803	104,797	253,946
Percentage to United Kingdom ...	39·8%	24·3%	30·6%

Currency.—The unit of currency is the krone. The par rate of exchange is Kr.18·16 = £1. The annual average rates of exchange during the past five years have been as follows :—

1920	22·502	1922	25·378
1921	26·125	1923	27·552
	1924	31·696	

1. FINANCIAL STABILITY AND NATIONAL BURDENS.

The present Government took office in July, 1924. In declaring his policy the Prime Minister stated that :

> "The Government regard the strengthening of the national finances and economy as their first and weightiest duty.
>
> "They will work for the improvement of industry, for healthy relations with labour and for social peace, in the conviction that these are necessary preliminaries for economic recovery and progress. They will do their utmost to effect economies in administration and to simplify it. They will with a firm hand uphold existing law and order. In carrying out these tasks the Government reckon on the loyal support of the Storting and people."

The national debt of Norway, which amounted to Kr.363,000,000 in 1913 (about Kr.149 per head of the population), had risen to Kr.1,503,000,000 at the end of 1923. The municipal debt amounted to a further Kr.1,391,000,000, giving a combined national and municipal debt of about Kr.2,840,000,000 in 1923, which is rather more than Kr.1,050 per head of the population. This total includes some Kr.1,050,000,000 expended, since 1912, upon various capital enterprises which should be self supporting, but which in many cases are at present incapable of yielding a sufficient return to cover interest, etc., and are therefore a burden on the taxpayer.

The war years were undoubtedly prosperous for Norway, but, owing to a number of causes, the profits made during the period have now largely disappeared. When the collapse of the freight market occurred in 1920, large sums were lost in connection with tonnage ordered abroad at high cost to replace that sunk during the war. The fisheries, upon which the prosperity of the country very largely depends, found a lack of markets with solvent purchasers, and high prices prevailed for fishing gear. The merchants had collected large stocks of goods with the object of supplying the markets of Germany, Russia and the Baltic States; but, owing to conditions beyond their control, these markets failed them.

The inevitable reaction quickly set in. The banks began to call in outstanding credits, and to restrict the granting of further credits. Values were written down. With the exception of capital invested in the harnessing of water power, much of the

money put into new industries during the war was lost. Serious inroads were made on reserve capital, and a large number of important concerns were forced to issue preference capital, while others had no option but to liquidate.

The deflation of values on so remarkable a scale could not fail to react upon the banks, and its effects were often intensified by the nervousness of depositors, who transferred their deposits to what they considered the safest institutions. During 1922 many banks were forced to proceed to reconstruction, but the real crisis came in 1923, which has been described as the darkest year in the history of Norwegian banking.

The Bank of Norway had taken the view that financial support should be rendered to banks whose position was in danger by the fall in capital values, in order that they might be enabled to ride out the storm. Large sums were, consequently, advanced from time to time by the State, the Bank of Norway, and leading private bankers towards the reconstruction of numerous banking concerns. Circulation of unfavourable rumours as to the position of certain banks, and doubts as to the success of methods of reconstruction proposed, led to the formulation of the Temporary Law of March 24th, 1923, by the terms of which a bank which has ceased payment may, with the approval of the Ministry of Finance, be placed under public administration for periods of a year. In the event of subsequent bankruptcy, engagements entered into by a bank whilst under administration are to rank before old engagements; that is, they are secured upon the old deposits and other assets, which thus form responsible capital so far as new transactions are concerned.

It was thought that the new law would provide a safe refuge in which hard-pressed banks might quietly endeavour to set their affairs in order, with a view either to a renewal of independent operations or to gradual and unhurried liquidation. Four banks applied for public administration in March and eleven in April. Among the latter were the Foreningsbanken and the Centralbanken for Norge, two of the largest private banks in the country.

In all, 27 banks, including 6 saving banks, were placed under public administration in 1923, most of them between March and June. It is as yet uncertain what steps will ultimately be taken for their liquidation or permanent reconstruction.

In announcing* the reduction of the bank rate from 7 per cent. to 6½ per cent., the chairman of the Bank of Norway said the change had been decided on because the bank was satisfied that private banks were now following the policy laid down by the Bank of Norway, and were exercising great care in the granting of credit.

2. ECONOMIC DEVELOPMENT.

As has already been mentioned, a number of industries were started and extended in Norway during the war, when, with foreign competition restricted and in some cases completely cut

* In November, 1924.

off, they appear to have flourished. As competition has returned, they have found it more and more difficult to continue operations, and many have been totally abandoned.

All Norwegian industry depends more or less upon imported materials; for instance, fuel, chemicals, wool, cotton, iron and steel, etc. Norway is, therefore, not likely to become an industrial country of importance unless the further development of her water power produces such cheap and efficient power that cost of production can be made lower than in other countries less favourably situated. At the same time, the productive capacity of the country is no doubt larger than it was before the war.

2(a) Fisheries, Timber and Shipping.—It is upon her fisheries, timber and shipping that Norway depends for her prosperity at the present time. The fisheries are not in a flourishing condition and it will be a number of years before all depression in the industry is removed. The Government has considered it desirable to guarantee a portion of the purchase price on certain fish contracts for Russia.

2(b) Mining.—The copper smelting works and the nickel and chrome ore mines are closed down and the output of both iron ore and pyrites is very much lower than before the war. Until a greater demand arises and costs of production fall in Norway, little can be done for the mining industry.

2(c) Agriculture.—Great efforts were made towards the end of the war to ensure that Norway should be independent, as far as possible, of imported cereals, and considerable sums have been since granted in aid of agriculture; for instance, cultivation of new land, draining of swampy land, sinking of wells, etc. A temporary State monopoly on grain and flour was introduced in 1917, in conjunction with which the Government undertook to purchase home grown grain at rates favourable to the farmers.

2(d) Water Power.—Both the Government and various municipalities are proceeding with schemes for harnessing water power. Although some of them have been put in hand for unemployment relief, they are of permanent practical value to the country. The extension of these schemes and the introduction of others is, however, limited by the demand for strict economy on the part of the State and municipalities.

2(e) Railways.—The railways are, for the greater part, State owned, and they are vastly improved as compared with before the war. Extensions and new lines have been and are being made, and some small sections have been electrified. Communication by railway with the north of Norway is, however, still impossible beyond Trondhjem, except, via Sweden, by the line which was specially constructed to carry iron ore from the Swedish iron fields to Narvik, an ice-free port within the Arctic Circle on the Norwegian coast. A railway to the north is contemplated,

but, at present, work is only being done on the section to Namsos. Since no industrial area would be served by a railway to the extreme north, its completion will no doubt be postponed for many years.

Some thought is being given to the suggestion that motor services should be substituted for railways in districts where traffic conditions and other circumstances indicate that such a course is desirable.

2(f) Roads.—Generally speaking, roads in Norway are poor, and ill suited to heavy motor traffic. Many new roads have been made since 1914 and others improved, but, owing to the rocky surface of the country, such work is slow and expensive.

3. COMMERCIAL AND INDUSTRIAL POLICY.

Pending a general revision of the tariff, which is now under consideration, the rates of duty payable under the existing tariff have been considerably increased since the war. For some goods the increase is as much as 100 per cent. It was further determined at the end of 1923 that duties should be levied in kroner at the gold rate of exchange. In order to arrive at the gold rate, the Ministry of Finance has to determine from time to time a figure, based on the rate of exchange for the American dollar, by which the duty, reckoned in paper money, must be multiplied. The object of this increase in the rates of duty is to provide revenue, to reduce consumption and, to some extent, to afford protection to Norwegian industries. Industries working for the home market will undoubtedly reap some benefit from the protection given them, and be in a better position to meet competition from the United Kingdom and other foreign countries. Some improvement is already being noticed, notwithstanding labour and bank troubles and high cost of production, which seriously hamper progress.

Assistance has been given to exports by the heavy depreciation in Norwegian currency, which, in the case of the £, has fallen from a normal of 18·16 kroner to the £ to over 31 kroner. At the same time, Norway has herself suffered from competition from countries whose currency has depreciated even more.

The volume of Norwegian exports during 1923 was approximately equal to that of 1913, but it is doubtful whether this level would have been reached had it not been for the assistance of a depreciated currency. Imports continue to exceed exports, but it is hoped that the changes in the tariff will have the effect of somewhat reducing imports. Norway has no considerable capital profitably invested abroad to make good this excess, but there are "invisible" exports in the form of profits earned by the shipping and whaling industries.

There are few restrictions on imports and exports. One Norwegian measure which virtually imposes a tax on foreign trade is the regulation under which foreign commercial travellers must

take out a licence costing 100 kroner per month, while there is a proposal on foot to increase the cost of the licence to 200 kroner per month for the first firm represented and 50 kroner a month for any other firm represented.

4. FEATURES OF IMPORT TRADE.

Rates of exchange have, to a very large extent, determined the direction of import trade. Those countries whose rates of exchange with Norway have depreciated, such as Germany, Czechoslovakia, Belgium and France, have reaped an advantage over the United Kingdom.

Recently, however, German prices have risen owing to increased costs of production, and competition from that source has gradually diminished. Germany has also lost orders because of the failure to adhere to terms of contract and dates of delivery, but a great improvement in this respect has recently been noticed.

French prices have also risen, and, with an increase in the value of the franc, the United Kingdom should be able to secure a larger share of the import trade of Norway. At the same time, it must be repeated that the heavy increases in the tariff will have the effect of somewhat reducing imports and giving protection to home industries, which will secure a larger share of the demand than formerly.

The principal imports from the United Kingdom are fuel, textiles, hardware, metal and machinery, and chemicals. As regards *fuel*, practically all the country's demands are met by the United Kingdom, and there is no reason to anticipate a change for many years, *i.e.*, until the economic position allows of a much more serious development of water power.

Norway has a *textile* industry of her own, but it has been hampered by the presence on the market of stocks purchased at the end of the war, by the bank failures and by frequent labour troubles. If labour disputes can be settled without interruption of work, the industry, with the protection afforded by the increase in duties, should enjoy a larger share of the demand. Of the competing countries, the position of the United Kingdom should, however, improve to some extent at the expense of Germany, because of the increase in German costs of production.

There is a fair prospect that the United Kingdom will secure an increasing share of the trade in *hardware*. The most serious competition has come from Germany, but she is not in so good a position as formerly, and, with the exchange so much against the United States of America and Sweden, imports from these countries are likely to be small. The presence of old stocks still restricts the demand, but these stocks are now greatly diminished.

The demand for *iron, steel and non-ferrous metals* is improving. At the end of March, 1924, it was stated that the firms in the Ruhr were not prepared to accept any new orders but were making

delivery of iron and steel bars, etc., under old contracts concluded before the occupation. Where early delivery was essential, orders have been given to the United Kingdom, but the rate of exchange and high freights have hampered the flow of orders to this country. Tinplates, which are used in the extensive preserving industry, are imported mainly, if not exclusively, from the United Kingdom.

Little demand occurs for new *machinery*, as there is a good deal of second-hand material on the market, owing to the bankruptcies of a number of concerns in the wood-working trades, and old stocks have also been forced on the market as a result of the banking crisis. The needs of the state and municipal authorities have as far as possible been met by home manufacturers, to whom preference is given. Within these narrow limits, orders for imported goods have gone mainly to Germany, but, with increasing prices, United Kingdom manufacturers should be in a better position to compete.

It is clear that an increase in the demand for imported goods in Norway greatly depends upon a period of rest during which Norway can put her finances and industries in order.

SWEDEN.

	1904	1910	1921
Population ...	5,260,811	5,522,403	5,954,316

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Sweden	4,770	8,220	13,798
U.K. re-exports to Sweden ...	759	1,014	1,832
U.K. imports from Sweden ...	10,244	14,213	21,550

Swedish Trade Returns. (Special Trade.)	1904. (1,000 kronor.)	1913. (1,000 kronor.)	1923. (1,000 kronor.)
Total imports	578,453	846,538	1,294,528
Imports from United Kingdom ...	149,113	206,823	284,242
Percentage from United Kingdom	25·8%	24·4%	22·0%
Total exports...	414,724	817,347	1,142,095
Exports to United Kingdom ...	149,388	237,885	358,548
Percentage to United Kingdom	36·0%	29·1%	31·4%

Currency.—The unit of currency is the krona. The par rate of exchange is Kr.18·16 = £1. The annual average rates of exchange during the past five years have been as follows :—

1920	17·897	1922	16·914
1921	17·089	1923	17·222
1924	16·651		

1. FINANCE.

The Swedish National Debt on 31st December, 1913, amounted to 648 million kronor, and had increased in 1923 to 1,643 million kronor. This latter figure represents only 270 kronor per head of the population, which is one of the lowest ratios existing in any country at present. The interest on the National Debt is covered by the revenue from State enterprises such as railways, posts and telegraphs, land and forests, etc.

The Swedish Budget has been framed since the war with a view to the avoidance of currency inflation at all costs. It balanced in 1918 at 1,720 million kronor, in 1923 at 776 million kronor, and for the financial year 1924-25 is estimated to balance at 674 million kronor. The most conspicuous feature of Swedish finance has of late been the studied policy of maintaining the krona on a par rate with the dollar. Owing to Sweden's large export trade to Great Britain, her fortunes are also, and must continue to be, intimately associated with the pound sterling. This maintenance of the dollar parity imposed a heavy strain on the foreign "valuta" fund held by the Riksbank as a reserve against currency depreciation, which in the first six months of 1924 fell from 143 to 78 million kroner. At the end of the year it had again reached 136 million.

2. ECONOMIC DEVELOPMENT.

The principal spheres in which Swedish native resources are being developed are agriculture, fisheries and water power. An agreement is in force between the Swedish Government and the Swedish Flour Mills Association by which the latter undertake to use at least 50 per cent. of Swedish wheat in their mills.

2(a) Fisheries.—The fishing industry is prosperous and is carefully fostered by the Government. Exports of fish amounted in 1923 to 17,000 metric tons, compared with 10,000 metric tons in 1922. An official inspection of Mediterranean ports is at present being undertaken with a view to finding further export markets for Swedish fish.

2(b) Water Power.—It is estimated that the total energy available from waterfalls in Sweden amounts to about 6,000,000 horse-power, of which some 4,500,000 horse-power is owned by municipalities and private concerns. Of this amount about 1,322,000 horse-power has already been developed, and work is in progress for the harnessing of a further

90,000 horse-power. In terms of hydro-electric energy, the total utilisable resources are put at 42,625 million kilowatt hours per annum. It is stated, on expert authority, that this estimated energy could be more than doubled if the maximum fall of the entire volume of water in the country could be utilised. About 40 per cent. of the Swedish rural districts are supplied with electricity by means of State, municipal and private plants. Many plans are being studied for further extensions. These are likely in course of time to produce a marked effect on the imports of coal from the United Kingdom into Sweden.

2(c) Mining.—There are in Sweden large deposits of iron ore, and the outstanding feature of the trade in this commodity has of late been the injurious effect of the occupation of the Ruhr, which has caused a large diminution of exports. In pre-war times, about 65 per cent. of the exported ore found its way to this district. Exports of iron ore were in 1923 nearly five million tons, of which 851,000 came to Great Britain. Efforts are being made to counter the depression in the Ruhr, and have met with a certain amount of success. Imports into the United States of America, for example, have considerably increased in the past year.

2(d) Railways.—The total length of the Swedish railway system at the end of 1923 was 15,503 kilom, of which 5,693 kilom belong to the State and 9,810 to private companies. There was an improvement in the goods traffic last year, but a slight decline in the number of passengers carried. Working results were satisfactory, mainly owing to the economies effected. During the year work was commenced on the electrification of the main line between Stockholm and Gothenburg, and it is thought that the work will be completed about the end of 1925.

2(e) Roads.—Swedish roads are good in the towns and their environs, but inferior in the country districts. Improvement is, however, slowly taking place. In 1923 the importation of motor vehicles attained record figures, but 60 per cent. came from the United States of America. Sweden should prove a lucrative market for British motor cars, if only a concerted effort were made by British manufacturers to organise their import and sale.

3. INDUSTRIAL POLICY.

The industrial policy of Sweden is devoted to the fostering of certain staple products manufactured in the country to the exclusion of similar products of foreign manufacture.

During the war, a considerable quantity of fresh capital was put into existing Swedish industries. New machinery was installed and plant increased. No large number of fresh undertakings was, however, embarked upon. As a result, Sweden is now in a position, more particularly in the metal, hardware and

electrical trades, to offer very active competition to British manufactures, and has entered British Empire markets, *e.g.*, Australia and India. The other large Swedish industries, paper, wood pulp, timber and matches, are not competitive with Great Britain.

4. EXTERNAL TRADE DEVELOPMENT.

Since the war Swedish export trade has made considerable recovery, but in 1923 its volume was still 18 per cent. below the 1913 volume. Imports, which were particularly heavy in that year, were substantially above pre-war volume. The 1924 exports have, on the whole, shown improvement, and it appears likely that there will be a considerable increase in total value.

Up to the beginning of 1923, industrial production has been steadily advancing, and Sweden's export of timber, wood pulp, paper and matches has reached the level of the best pre-war years.

The Swedish Government, with the help of a State subsidy, is determined to retain the Swedish Spitsbergen coal property as a sort of national insurance in case of emergencies, although work has been conducted at a loss up to the present. The exports of timber and wood goods amounted to 925,000 standards in 1923, compared with 1,027,000 standards in 1922. The exports of pit props were 327,000 standards (shipped almost entirely to Great Britain), compared with 209,000 standards in 1922. Owing to the alleged excess consumption of wood over replanted wood, the authorities are seriously considering the question of making a comprehensive official survey of the Swedish forests, with a view to improving methods of reafforestation. Moderately good results were achieved in the wood pulp industry in 1923. The demand from the United States undoubtedly contributed to the satisfactory situation. The exports of news and other kinds of paper were quite satisfactory, and Swedish paper makers were well occupied. The great Swedish Match Company exported about 30,000 metric tons of matches in 1923, which represents a slight increase over the exports for 1922. The Swedish pottery industry was very well employed, especially during the first half of 1923, but, during the latter half of the year, German competition, especially in cheap grades of porcelain, was severe. The exports of iron ore last year amounted to 4,957,000 metric tons, compared with 5,322,000 metric tons in 1922. As a result of expert official investigations and borings, which have been carried out for a number of years, it is now reported that the total deposits of iron ore in Northern and Central Sweden are much greater than was originally estimated, the total now being put at 1,760 million tons, but many of the deposits are at considerable depths. Moreover, it has been found that the quality of the ore is much superior at a depth than nearer the surface. There has been a slight improvement in the production of pig-iron in 1923 over that of previous years, and a

considerable increase in the exports of this, as well as spiegel and other kinds of unwrought iron. Roughly speaking, there were only about half the blast furnaces and hearths in operation in 1923 that there were in 1913. The total export of iron and steel products in 1923 was about 46 per cent. of the figure for 1913. It is estimated that the number of motor vehicles registered in Sweden in 1924 was 50,460, of which 731 were omnibuses, and 20,478 motor cycles. As regards textiles, the Swedish cotton industry is suffering from high prices for raw materials and from severe competition from imported piece goods. The situation in the woollen industry is better, although prices of raw wool are a handicap. The linen industry has been adversely affected by competition, especially from Czechoslovakia and Austria. The hosiery and underwear trades have been fairly active, but the margin of profit has been small. The leather and boot and shoe trades enjoy a considerable degree of prosperity.

5. COMMERCIAL POLICY.

The Swedish Customs Tariff is at present highly specialised. It is systematically compiled in groups of commodities, and comprises over 1,300 headings. It includes both revenue-producing duties and protective duties. The principal revenue-producing duties are on alcohol, tobacco and coffee. Protective duties are levied on agricultural and industrial products. With regard to wheat and other cereals, fixed duties have been adopted. Swedish industries are protected to a high degree, although, owing to the rise in prices, the protection intended has, when reckoned on a percentage basis, in many cases decreased considerably.

The Swedish Customs system does not at present include any export duties.

There have been no import prohibitions of a general nature dictated by trade policy in Sweden.

The legal position of commercial travellers is not regulated by Swedish law, and foreign travellers may accordingly be regarded as being subject to no restrictions. Special agreements have, however, been drawn up with certain countries in regard to the rights of their commercial travellers. They are subject to a special tax of 100 kronor for the first 30 days, and 50 kronor for each succeeding period of 15 days. Samples may be carried duty free.

6. COMPETITIVE SITUATION.

With the exception of the temporary exclusion of Germany as a competitor after the war, and the resulting benefit to British export trade generally, there has been but little change as regards imports from Great Britain. Whereas Germany was before the war predominant in the Swedish market, monopolising one-third of the total import trade in comparison with one-fourth from the United Kingdom, she has now but 26 per cent. in comparison with

Great Britain's 22 per cent. It is doubtful if this state of affairs can be maintained, and Germany appears rapidly to be recovering her former position. A new factor has been the increase, since 1914, in imports from the United States of America from 10·7 per cent. to 16·5 per cent. of the total volume. The intensive commercial activity now being carried on in Scandinavia by the United States is likely to bring about a further increase in the near future. At the moment, however, Great Britain is steadily maintaining and consolidating her position as the principal supplier of coal and textiles to Sweden.

FINLAND.

	1900	1910	1920
Population ...	2,712,562	3,115,197	3,364,807

British Trade Returns. Merchandise only.	1904.	1913.	1923. (£1,000.)
U.K. exports to Finland	Not separately stated		3,911
U.K. re-exports to Finland ...			922
U.K. imports from Finland... ...			13,205

Finnish Trade Returns. General Trade.	1904. (1,000 marks)	1913. (1,000 marks.)	1923. (1,000 marks.)
Total imports	267,094	495,434	4,600,302
Imports from United Kingdom ...	26,781	60,660	848,095
Percentage from United Kingdom	10·0%	12·2%	18·4%
Total exports	215,587	404,799	4,392,494
Exports to United Kingdom ...	63,955	108,565	1,816,005
Percentage to United Kingdom ...	29·7%	26·8%	41·3%

Currency.—The unit of currency is the mark. The par rate of exchange is F.mk.25·22 = £1. The annual average rates of exchange during the past five years have been as follows:—

1920	104·579	1922	206·284
1921	198·985	1923	171·027
	1924	176·219	

1. GENERAL.

Until 1917, Finland, while preserving a domestic autonomy, was attached to the Russian Empire. In that year, after the Russian revolution, she proclaimed her independence, which was finally recognised in the spring of 1918. A democratic form of government was definitely confirmed in 1919.

2. FINANCE.

The Finnish Treasury is at present burdened with considerable debts contracted during, and as a result of, the war. The real external State debt amounts at present to about 1,500 million Finnish marks (£1=180 Finnish marks, 20th August, 1924). To counterbalance this, much valuable Government property of a remunerative nature remains to the credit of the State, and most of it can be readily converted into cash. The financial standing of the Republic can therefore be considered stable.

Finland has every cause to be satisfied with the position of her State finances. At the end of 1923, not only did the revenue prove to be sufficient to cover expenditure, but there was a balance held by the Treasury of about 1,000 million Finnish marks.

The budget for 1924 provides for an ordinary revenue of 2,909·6 million Finnish marks, and an extraordinary revenue of 1·2 million Finnish marks, or a total revenue of 2,910·8 million Finnish marks.

The ordinary expenditure is estimated at 2,426·5 million Finnish marks, and the extraordinary expenditure at 509·7 million Finnish marks, or a total expenditure of 2,936·2 million Finnish marks.

The total revenue is, therefore, insufficient to cover the total expenditure by 25·4 million Finnish marks, which will be taken from the Treasury reserve.

The largest item of revenue is expected to be derived from indirect taxes, including Customs duties and Excise dues on tobacco and matches. The whole of the public debt of Finland has now been consolidated.

According to a report published by the Treasury, the consolidated foreign debt stood, at the end of 1923, at 1,477·8 million Finnish marks, having been increased during the year to the extent of 818·0 million Finnish marks as a result of foreign loans taken up by the Government in November, 1923. The consolidated internal debt amounted, on 31st December, 1923, to 937·4 million Finnish marks, having been reduced by 18·6 million Finnish marks during the year. The total national debt of Finland, therefore, amounts at present to 2,415·2 million Finnish marks.

The money market in Finland grew stringent towards the end of 1922 and tightened considerably in 1923, in spite of the fact that the country raised a loan in America to the value of 15 million dollars. The financial houses were obliged to observe the very greatest caution in granting credit. In order to be able to supply such credit as was absolutely essential, they had to rediscount bills with the Bank of Finland to a growing extent, even while they had the use of a considerable surplus from Government funds.

3. ECONOMIC DEVELOPMENT.

3(a) Agriculture and Timber.—The principal natural resources of Finland are timber and agricultural and pastoral products. These, and the industries arising from them, are most carefully organised, mostly on co-operative principles, and are fostered by the Finnish Government. Of the total population of Finland (3,360,000), 84 per cent. reside in the country districts, and between 60 and 70 per cent. are engaged in agriculture. Owing to the abundance of wood and the facilities for floating it, the timber industry is the most important, with its subsidiaries, wood-pulp, paper, etc. The Finnish sawmills have, since the war, become increasingly active, and their competition is now regarded by Sweden as serious. The United Kingdom is the largest buyer of Finnish timber. There is at present no lack of finance, markets, material or labour for these industries.

The chief crops are wheat, rye, potatoes, oats and hay. An increased production of dairy produce is annually taking place, and the exports of butter and cheese have risen steadily since the establishment of the Republic. In addition, a large number of livestock is bred, and this branch receives the careful attention of the Finnish Government.

3(b) Mining.—Mining exists on a small scale, and there is but little prospect of the development of this industry, owing to the unfavourable geological formation of the country. No coal is found.

3(c) Railways.—The railways are State-owned, the present condition of the lines and rolling stock is good, and they are efficiently worked. Where the transport system appears to be inadequate for present needs, certain new construction works are in hand. There is also under consideration a proposal to electrify the railway system of Finland. The country is abundantly supplied with means of water transport, and vast quantities of timber are moved to the ports by water.

3(d) Roads.—The lack of roads in Finland is not a hindrance to communication, as, in the winter months, when the snow is frozen, traffic is possible without recourse to the roadways. In the principal towns the roads are adequate.

3(e) Water Power.—The water power of Finland's rapids has been estimated at 3,000,000 h.p., but, so far, only a small part of these vast resources has been utilised in the service of industry. However, more than a half of the motive power used by Finnish factories already consists of water pressure from the rapids, and in proportion as this increases, so will Finland's dependence on Great Britain for coal decrease.

4. INDUSTRIAL POLICY.

The industrial policy of Finland is governed by a desire to maintain at the highest level the sales and export of her timber,

paper, wood-pulp, agricultural and dairy products. As these are able to hold their own with such competition as at present has to be faced, the tariff on imports is not protective, but is only designed for revenue producing purposes. The development of Finnish domestic manufactures is chiefly seen in the rapid extension of co-operative methods to the staple industries, a movement in which the Government lends a generous hand. There has been no marked growth of new industrial undertakings since the establishment of the Republic, with the exception of a casein industry under Government auspices, with the result that the post-war extension of Finnish industry has had but little effect on British trade.

5. EXTERNAL TRADE.

The total value of the export trade of Finland to all countries in 1923 amounted to 4,392,494,427 Finnish marks. At the same time, the imports were valued at 4,600,301,816 Finnish marks. Imports were over 600,000,000 Finnish marks higher than in 1922. This may to some extent be attributed to the failure of the harvest in 1923, the imports of cereals and other foodstuffs having been exceptionally large as compared with previous years. The increase in the volume of imports was, indeed, probably greater than is indicated by the increase in total value, the import price index having fallen by approximately 15 per cent.

The value of Finnish and other produce exported to the United Kingdom rose to 1,816,005,454 Finnish marks in 1923, or 41·3 per cent. of the total exports. On the other hand, the value of goods imported into Finland from the United Kingdom in 1923 is estimated at 848,094,587 Finnish marks, or 18·4 per cent. of the total imports.

The value of Finnish exports to Germany amounted to only 270,766,452 Finnish marks in 1923, or 6·2 per cent. of the total exports, whereas the value of goods imported into Finland from Germany rose to 1,564,409,557 Finnish marks in 1923, or 34·0 per cent. of the total imports.

6. COMMERCIAL POLICY.

Finland has concluded commercial treaties with the United Kingdom, Denmark, Holland and Poland, and one with France was signed in 1922. A Belgian and a Japanese treaty are in negotiation. The treaty with the United Kingdom accords most-favoured-nation treatment to British merchandise.

Commercial travellers who visit Finland have to have a licence and are liable to the payment of a tax of 1,000 Finnish marks a month. This law, it is said, has been introduced for the purpose of restricting competition on the part of foreign business men, who would otherwise have an advantage in not being subject to the heavy State and municipal taxes imposed on local business men.

7. COMPETITIVE SITUATION.

From a comparison of the imports from the United Kingdom with those from other countries, it is evident that the United Kingdom should be able to secure a much larger share of the trade than she has hitherto done. There are few articles of manufacture required in Finland that cannot be supplied by the United Kingdom, and, since the conclusion of the Treaty of Commerce and Shipping between the United Kingdom and Finland, which accorded most-favoured-nation treatment to British merchandise, and which came into force on January 1st, 1924, there should no longer be anything to hinder British manufacturers from increasing their trade, as far as tariff discrimination is concerned. While the imports of British goods into Finland in 1923 show a proportionate decrease compared with 1922, the exports of Finnish produce, mainly timber, pulp and paper, to the United Kingdom show, year by year, a steady increase, due in a great measure to the active efforts made in Finland to enlarge the demand for Finnish produce in the British market.

The United Kingdom heads the list as principal supplier to Finland under three headings only, namely, *minerals and manufactures thereof*, principally *coal and coke*, *textile materials (raw)* and *yarns, thread and twine*, while, under almost all the remaining headings, Germany holds a dominant position in the imports.

Colours and colouring matter.—Germany is the principal supplier, only a comparatively small share of this trade having been secured by the United Kingdom, closely followed by Holland.

Hides, leather, furs, etc.—The bulk of the import trade is shared by Germany, the Argentine, Denmark, and the United Kingdom in the order named.

Machinery, turbines and utensils.—The total value of machinery, turbines, and utensils imported from Germany amounted in 1923 to 166·3 million Finnish marks. The machinery, etc., purchased from Sweden was valued at 66·1 million Finnish marks, while the imports from the United Kingdom were valued at 25·2 million Finnish marks.

Metals.—The principal countries from which supplies were obtained were :—

	1923. Value in million Finnish marks.
Germany	230·5
United Kingdom	79·3
Sweden	74·4
Belgium	66·4

Oils, grease, fats and products thereof were supplied principally by the United States of America, Holland, Denmark, Germany and the United Kingdom in the order mentioned.

Textile manufactures.—Very keen competition exists. Imports of tissues were as follows :—

	1923. Value in million Finnish marks.
Germany	128·1
United Kingdom	122·3
Denmark	31·4
France	30·4
Sweden	24·0

Coal and Coke.—During 1923, the demand for coal in Finland for all purposes rose steadily. The total quantity of coal and coke imported during the year, according to the Finnish customs returns, amounted to 524,670 metric tons, practically entirely from Great Britain, as compared with 243,096 metric tons in 1922 and 585,613 metric tons in 1913.

It is gratifying that the trade in this commodity, of which the United Kingdom is the largest supplier, is rapidly increasing, and may before long assume pre-war proportions, provided that no extensive increase in the use of Finnish water-power occurs in the interim.

BALTIC STATES.—ESTHONIA, LATVIA, LITHUANIA.

	Esthonia. (1922)	Latvia. (1920)	Lithuania. (1923)
Population ...	1,107,059 (Census)	1,596,131 (Census)	2,028,971 (Census)

British Trade Returns (Merchandise only).	1923 (in £ thousands).		
	Esthonia.	Latvia.	Lithuania.
United Kingdom exports to ...	921	1,502	217
United Kingdom re-exports to ...	451	367	2
United Kingdom imports from ...	1,828	5,660	817

Baltic Trade Returns.	1923. (1,000 Esth. marks.)	1923. (1,000 lats.)	1923. (1,000 lits.)
Total imports	9,332,280	211,857	156,627
Imports from United Kingdom ...	1,840,992	36,081	8,247
Percentage from United Kingdom	19·7%	17·0%	5·3%
Total exports	5,711,956	161,978	146,895
Exports to United Kingdom ...	1,946,788	74,967	39,515
Percentage to United Kingdom ...	34·1%	46·3%	26·9%

Currency.—*Esthonia.*—The unit is the Esthonian mark. The par rate is 25·22=£1. During 1922 the rate was generally in the neighbourhood of 1500 to the £. At the end of 1923 it had reached 1600, and 1750 at the end of 1924.

Latvia.—The unit is the lat, equal to one gold franc. The rate at the end of 1923 was 22·17 to the £, and 24·55 at the end of 1924.

Lithuania.—The unit is the litas, equal to one-tenth of the U.S.A. dollar. It has maintained its parity with gold. Par rate with the £ is 48·66=£1. At the end of 1924 the rate was approximately 48 lits=£1.

1. GENERAL.

The total population of the three Baltic States does not exceed 5½ millions, mostly of the peasant class, but with a fairly large "intelligentsia." The same factors, political and economic, govern the situation in each case to a large degree; and in their resources, their aspirations and their commercial capacity the three States are very similar. They can, therefore, conveniently be dealt with together.

With so limited a total population, their economic importance is relatively small. To judge their economic possibilities aright, one must also bear in mind the uncertainties of the political situation. Briefly, a portion of the old Russian seaboard and adjacent territory has been cut off from the former owner and divided between peoples who, though of non-Russian race and speech, have grown up among Russian traditions and customs. Yet, although setbacks to the process of political stabilisation have occurred, considerable progress has been made.

2. FINANCIAL CONDITIONS.

The finances of the Baltic States are satisfactory. In Latvia and Lithuania the position is definitely favourable. The closed accounts for the financial year 1923-24 in Latvia showed an actual revenue of 201,438,001 lats and an actual expenditure of 183,267,159 lats, yielding a surplus of 18,168,642 lats. For Lithuania the corresponding figures are, actual revenue 176,911,000 lits, actual expenditure 171,734,600 lits, leaving a balance of some 5,000,000 lits in hand at the end of the financial year.

The satisfactory figures given here are due largely to the policy of the present Finance Ministers of these countries in keeping their expenditure within the bounds of their means. At the same time the figures give an indication of the very restricted capacity of the two countries.

In Esthonia the situation is less satisfactory, although a distinct improvement has taken place in the last few months. In order to check speculation, which had reached serious proportions in the early part of 1924, the parity of the Esthonian mark has been

fixed on a gold basis at the rate of 1 gold crown=100 Esthonian marks, and all accounts with the banks are recorded in gold crowns. The reserves in foreign currency in the State bank, which had fallen to a low level in the summer months, have lately been considerably increased, and a feeling of greater security is evident. The position is being closely watched by the authorities, and the advice of foreign financial experts is being invoked.

3. ECONOMIC DEVELOPMENT.

The three Baltic States are naturally and mainly agricultural, and their chief exports are flax and timber. Exports of cereals and other agricultural produce, butter, eggs, etc., are increasing, but do not at present compare with the two chief exports mentioned.

3(a) Flax.—The growing and export of flax may be regarded as the one staple industry of the Baltic States, and the proceeds therefrom contribute largely to the annual revenue. The trade is generally well organised and in a satisfactory condition. It is doubtful whether the level of production can be improved upon under present conditions. Government monopolies, enforced from time to time and still existent in Latvia, have, however, tended to curtail production to some extent.

3(b) Timber.—The exploitation of the timber resources of these States is in an unsatisfactory state; the chief causes are: (*a*) lack of capital to purchase requisite machinery and plant, sawmills, etc., and (*b*) inexperience and lack of labour, which leads to uneconomical felling and insufficient planting. With foreign expert advice and money the timber resources of the Baltic States could be made to yield a considerably greater return than at present.

3(c) Mining.—There are almost no accessible mineral resources, although Esthonia claims to have vast potential wealth in shale oil deposits. The process of extracting oil from this shale, which is certainly present in considerable quantities in the northern part of the country, is still, however, in the experimental stage. Before success can be attained capital will be required, which, not forthcoming from Esthonian sources, will have to be attracted from abroad—a matter again largely dependent on political considerations. A number of foreign interests, some of which are British, have obtained and are working concessions on oil shale lands at the present time, but the success so far attained has been limited.

3(d) Agriculture.—To return to the agricultural situation, there is every indication that the Governments of the three States are realising that their chief hope of maintaining their economic independence lies in increasing exports of the produce of the land. When Soviet Russia becomes again a large grain-exporting country these small States cannot hope to compete with her; their energies, therefore, are being more and more devoted to other forms of agricultural activity—dairy farming, poultry and

pig breeding, etc. This movement has taken the most definite shape in Lithuania, and it appears to be the aim of that country to model her agricultural policy on the lines of that of Denmark.

In this phase of the economic life of the Baltic States there is large scope for development. Experience, organising powers and knowledge of the requirements of the Western purchasing nations are wanted; also capital and facilities to buy agricultural machinery and chemical fertilisers and to set up cold storage plant, elevators, etc.

3(e) Water Power, Railways, Roads.—Improvements of railways and roads must, it is feared, be dismissed at the present time from serious thought from the point of view of openings for British enterprise, capital or exports. Many improvements are necessary, and openings for development are in all directions easy to find. Not so easy the means. Of recent months negotiations have been in progress between the Latvian authorities and representative foreign groups regarding a project for deriving electrical energy from the River Dvina by means of the construction of a power station at Dahlen Falls. The scheme, however, has not got past the stage of negotiation. This is another instance of the need for foreign capital.

4. INDUSTRIAL POSITION.

Industry now plays but a small part in the life of these countries. Before the war it existed to a small extent in and around the larger towns. Riga, the capital of Latvia, used to be a flourishing industrial centre. During the war, however, much of the plant and machinery was either destroyed or removed by the retreating armies, and the skeleton only remains. Money is required to restart; but, even if it were forthcoming, it is doubtful whether the policy of restarting on a large scale would pay. The natural market for the products of the Baltic industries is Russia, which no longer buys; and the goods manufactured were, and are in the majority of cases, not well suited to Western markets. In these circumstances the policy of the Baltic Governments towards industry can perhaps be described as a waiting one. No discouragement is given to improvements in industrial works, but no special efforts are made to foster them. Industrially, the Baltic States cannot be said to influence British trade in any marked degree.

5. EXTERNAL TRADE.

As the total value of the trade, both import and export, of the three States does not amount to more than a few million pounds sterling, it is not proposed to quote detailed statistics. A point also to be remembered is that statistics of trade with these countries are in most cases unreliable, owing to the extreme difficulty of differentiating between direct trade and transit trade with Russia. It may suffice to say that, while exports (particularly of agricultural produce) are slightly increasing, the

movement is so slight as to make little or no real difference to the purchasing power abroad of the Baltic States.

6. COMMERCIAL POLICY.

To decide upon the most expedient commercial policy for the governments of the Baltic States to adopt has been and still is a difficult problem. The territories out of which these States have been created were never amongst the most productive in the old Russian Empire, and depended in pre-war days for their prosperity very largely on the transit trade from and to the interior, which left and entered Russia by the Baltic ports of Reval, Riga, Libau and Windau. In former times the commercial policy of these territories naturally conformed with the needs and aspirations of the old Russian rulers. When these territories were separated from Russia their new rulers had to decide whether to restore their damaged industries in the hope of a reviving demand from Russia, the natural market, and perhaps later to find themselves cut off by a tariff wall which previously was non-existent, or to allow their industry to remain undeveloped and to devote themselves to other means of progress.

As stated in an earlier paragraph the governments of these States appear to be adopting increasingly the second course mentioned, and to be concentrating primarily on agricultural development. This policy is, however, not without opposition in some government circles, where it is maintained that the industrial life of the country should be developed irrespective of the effects upon it of a rejuvenated Russia.

7. BRITISH TRADE PROSPECTS.

To sum up, Esthonia, Latvia and Lithuania do not in themselves form a market which can be developed at present with any considerable benefit to British trade. Their population is small, their purchasing power is very limited and the political situation is not yet fully consolidated.

Germany is the chief supplier of imports into the three States and also takes a good portion of exports from Lithuania.

The following tables give the most recent figures of imports and exports from and to Germany compared with other countries :—

1923

Imports from Germany into Esthonia	...	(1,000 E. mks.) 4,760,565	= 51% of total imports. (*Note:*—U.K. supplied 20%).
„ Latvia	...	(1,000 lats.) 95,850	= 45% of total imports. (*Note:*—U.K. supplied 17%).
„ Lithuania	...	(1,000 lits.) 126,702	= 81% of total imports. (*Note:*—U.K. supplied 5%)

Exports to Germany (1,000 E. mks.)
from Esthonia ... 614,090 = 11% of total exports.
(*Note:*—U.K. took 34%).
Sweden took 10%).
Belgium took 9%).

(1,000 lats.)
„ Latvia ... 12,306 = 8% of total exports.
(*Note:*—U.K. took 46%).
Belgium took 20%).

(1,000 lits.)
„ Lithuania ... 63,500 = 43% of total exports.
(*Note:*—U.K. took 27%).
Latvia took 16%).

As long as German articles were cheaper than British and other makes, Germany obtained the trade. Her terms of payment also were easier. The present moment is opportune for increased British trade owing to the higher level of prices all round, but better financial arrangements must be made by British manufacturers before this increase can be obtained.

The following statement shows the aggregate declared value of the imports, exports and re-exports of the United Kingdom in trade with the Baltic States and other territories constituting pre-war Russia, so far as the particulars are available :—

IMPORTS.

Country.	1913. Th. £	1920. Th. £	1921. Th. £	1922. Th. £	1923. Th. £	1924. Th. £
Russia	40,271	33,523	2,695	8,103	9,266	19,994
Succession States—						
Finland ...	—	—	7,721	10,434	13,205	13,812
Esthonia ...	—	—	730	1,136	1,828	2,465
Latvia	—	—	1,618	3,005	5,660	6,374
Lithuania ...	—	—	344	1,116	817	735
Poland (including Danzig) ...	—	—	1,840	2,863	5,362	8,387
Total ...	40,271	33,523	14,948	26,657	36,131	51,767

UNITED KINGDOM EXPORTS.

Russia	18,103	11,992	2,181	3,641	2,492	3,821
Succession States—						
Finland ...	—	—	1,932	2,761	3,911	4,559
Esthonia ...	—	—	3,890	1,030	921	628
Latvia	—	—	521	1,118	1,502	2,210
Lithuania ...	—	—	53	116	217	315
Poland (including Danzig) ...	—	—	3,002	2,435	2,722	3,499
Total ...	18,103	11,992	11,579	11,101	11,765	15,032

RE-EXPORTS.

Country.	1913. Th. £	1920. Th. £	1921. Th. £	1922. Th. £	1923. Th. £	1924. Th. £
Russia	9,591	4,841	1,210	970	1,989	7,358
Succession States—						
Finland ...	—	—	970	707	922	1,022
Esthonia ...	—	—	379	356	451	286
Latvia	—	—	425	282	367	222
Lithuania ...	—	—	1	2	2	23
Poland (including Danzig) ...	—	—	1,867	637	973	1,507
Total ...	9,591	4,841	4,852	2,954	4,704	10,418

A considerable portion of the territory included in the present Republic of Poland was formerly not Russian, but Austrian, or German, territory. On the other hand, Bessarabia, formerly part of Russia, is not included in any of the countries covered by this table.

POLAND.

Population (1921) ... ... 27,192,674.

British Trade Returns. Merchandise only. (Including Danzig.)	1922. (£1,000.)	1923. (£1,000.)
United Kingdom exports to Poland...	2,435	2,722
United Kingdom re-exports to Poland	637	973
United Kingdom imports from Poland	2,863	5,362

Polish Trade Returns. Special Trade.	1922. (1,000 Zlotys.)	1923. (1,000 Zlotys.)
Total imports	845,355	1,116,482
Imports from United Kingdom	59,307	90,530
Percentage from United Kingdom	7·0%	8·1%
Total exports	655,151	1,195,587
Exports to United Kingdom	26,702	70,042
Percentage to United Kingdom	4·1%	5·8%

Currency.—The unit is the zloty, equal to the gold franc. It was introduced in April, 1924, at a time when the rate of the Polish mark had fallen to 40,000,000 to the £. It has maintained its parity with gold.

1. GENERAL.

The Polish State came into being on November 11th, 1918. It consisted at that time of the former Russian, or Congress, Poland and of Western Galicia, a province of the former Austro-Hungarian Monarchy. On December 27th, 1918, the former German province of Posnania was added.

These territorial changes were sufficient in themselves to create for the new Poland political and economic problems of great difficulty. Three territories, each under a separate administration, with different methods of government, were suddenly joined under one. The difficulties which were bound to arise were accentuated by the comparative lack of administrative experience, and by the exceptionally adverse conditions—both Galicia and Russian Poland had been laid waste during the war—under which the new State came into being.

It must also be mentioned that since the dates given above further territorial changes and events of both political and economic importance have occurred which have all tended, at least during the period of uncertainty before their final settlement, to retard the process of building up the country. These events are the partition of Upper Silesia, the annexation by Poland of the territory of Vilna, the final fixing of the eastern frontier line, and, of less importance politically, but of great economic significance, the conclusion of the negotiations for the customs and commercial union between Poland and the independent state of Danzig which finally defined the economic relations of these two inter-dependent territories. The war of 1920 with Soviet Russia was a further hindrance in the way of progress towards the stabilisation so necessary to the country. These political and economic difficulties were sufficient, quite apart from the financial position, to preclude Poland from entering the world's markets as a normal buyer and seller of goods.

2. FINANCE.

The financial situation of Poland is peculiar. Poland has an internal national debt amounting to approximately six million pounds sterling, and an external debt, due mostly to relief and other credits to repair the ravages of war, of about 65 million pounds sterling. Poland has, moreover, no obligations in respect of reparations. In relation to debts she can therefore be accounted comparatively fortunate, yet the weakness of her financial position has been marked. This was due to various causes and both gave rise to, and was in turn accentuated by, the rapid depreciation of the Polish mark. During 1924 vigorous measures have been taken to remedy the situation. Inflation has been stopped and the new currency unit, the zloty, has been maintained on a parity with gold. It is yet too early to be able to say that the financial troubles are at an end, but very considerable progress has undoubtedly been made. Taxation is already high and further improvement will have to be attained

by reductions in expenditure. A good deal has been accomplished in this direction, but further reductions are proving difficult to achieve.

3. ECONOMIC DEVELOPMENT.

In the question of the economic development of the country, we are again faced with the vital problem of finance. Poland has resources, natural, mineral, agricultural and industrial, which have truly tremendous potentialities; but capital is required to work them.

3(a) Timber.—The wealth of Poland's forests is almost incalculable. Almost every kind and quality of timber can be obtained in Poland—soft woods (red and white pine), ash, oak, birch, etc. The requirements for effective exploitation are money, increased transport facilities, lower freight rates. Poland has no money to exploit her forests for herself, and she must look abroad for capital. In this connection mention may be made of the recent concession granted to a British group, for a period of ten years, to fell and export annually 25 million cubic feet of timber. This timber is chiefly situated in what is one of the largest forests in Europe, namely, the forest of Bialowiesha, which lies about 120 miles east of Warsaw and has an area of 360,000 acres. Other smaller forests are also included in the concession. This enterprise is the first of its kind and magnitude on which Poland has embarked, and it is a step in the right direction. If the results are as satisfactory as it is hoped, there is no reason why further concessions should not be obtained by foreign groups under similar conditions.

The question of transport facilities hinges upon the periodical congestion of traffic on the railway lines leading to Danzig, and the present impossibility, owing to international difficulties, of using the natural outlet to the sea for floating timber afforded by the river Niemen.

3(b) Mining.—The second of Poland's natural resources is petroleum, and here a sub-division should be made, namely (*a*) deep well boring, and (*b*) shallow well boring. As far as (*a*) is concerned, it is the opinion of some experts that the life of the oilfields in which deep wells are to be found, namely, the district of Boryslav-Tustanowice-Mraznica, is nearing completion. Production is still maintained at a fairly satisfactory level, but new borings are not achieving the success which might be anticipated. In these circumstances, the acquisition of new properties is at present confined more to the shallow oilfields of Eastern and Western Galicia, where production is being maintained at a satisfactory level. Up to the present, little British capital has found its way into the Galician oilfields, which have chiefly been exploited by French and other foreign combines.

Apart from the question of capital investment in Galicia, it may be said that, owing to the increase in the cost of locally manufactured goods, British products required in the oil industry are

finding a better market. There is above all an opening in Galicia for the sale of wire and manila ropes, beltings, fittings, small-sized steam and oil engines, tools, etc.

In Silesia, Poland has 56 coal mines, 20 zinc works and a large number of iron and steel factories; but, although latest reports show that all the most important of these industries have maintained under Polish administration the level reached in the period preceding the partition of this district, the capacity of this territory in its natural resources and factories is greater than its present output. Capital and reviving world demand are required. If these were forthcoming and due expansion could take place, this portion of Poland could absorb increased quantities of boring machinery, coal cutting machinery, boilers, dynamos, wire ropes, etc.

3(c) Agriculture.—Agriculture plays an important part in the life of Poland, and there is yearly an exportable surplus of natural products, wheat, oats, rye, barley, eggs and poultry (dead). There are also exports of the products of industries based on agriculture, namely, sugar, potato flour, dextrine, starch, glucose, etc. All these industries are capable of further development and exports could be increased if capital, fertilisers and agricultural machinery could be obtained with greater facility.

A considerable and increasing market exists for fertilisers; but the demand for agricultural machinery is slackening to some extent, owing to increasing local manufacture and the tendency to revert to horse traction, because of the high cost of steam ploughs, etc., and of petrol.

3(d) Water Power.—No schemes of any note for utilising water power in Poland have been, or are, in contemplation, for the moment.

3(e) Railways and Roads.—The railways and roads of Poland are in vital need of reconstruction and development, but questions of finance stand in the way. A number of schemes for the reconstruction of existing, or for the completion of new, lines, mostly of a secondary nature, are at present being considered by various British interests; but, though in every case the work can be said to be an absolute necessity to adequate communications, most of these schemes must be shelved owing to lack of capital. An example of re-organisation work urgently required is the more efficient linking up of Polish Upper Silesia with the interior of Poland, and the construction of new shunting and distributing stations, and also workshops, the line of demarcation between German and Polish Upper Silesia having been drawn on political grounds without consideration of the railways.

As already stated, however, the importance of economy in expenditure on public services is so great that little, if any, new railway developments are thought likely in the near future.

Similar considerations apply to road construction and improvement, which, though urgently needed, cannot be afforded.

4. INDUSTRIAL POSITION.

4(a) Manufacture for home markets.—Poland is becoming increasingly self-supporting in the products of industry. Certain raw materials, semi-manufactured products, machinery and plant, must always be imported, but her industries grow each day and she is gradually freeing herself from dependence on foreign countries. As an example, Lodz, the centre of the textile trade, is now beginning the manufacture of fine counts in cotton which, prior to the war, were purchased in Russia and Great Britain. Stimulus to local production has been caused by the depreciation of the Polish currency and by the high prices of foreign goods; Poland is finding that she can produce cheaper than she can buy In most cases local industry is protected by adequate tariffs.

The most important industries are, textiles, metallurgical industries (in Poland proper and Polish Upper Silesia), chemicals, electrical engineering, building, cement, spirits, starch, sugar, paper, glass, tobacco, matches, agricultural machinery and implements. In almost all these industries growth is continuous; and, given an increasing purchasing power both at home and abroad, industry in Poland can look forward to a flourishing future.

4(b) Manufacture for Export.—The chief consumer of Polish goods before the war was Russia. But, this market having been largely reduced from well-known causes, Poland has had to look for new markets for the products of her industry. In this task she has been surprisingly successful; and Polish goods are now competing with British goods in Czechoslovakia, the Balkans and the Far East. Although no reliable statistics are available, the volume of Polish export trade with Soviet Russia is believed to be again on the increase; and, owing to the standstill of Russian industries, considerable demand has been met by Polish textiles, chemicals, hardware, enamel goods, agricultural machinery, etc. Notwithstanding, Poland is no longer so dependent on the Russian market, and is a competitive force to be reckoned with in British export trade.

5. EXTERNAL TRADE.

There was a considerable increase of both imports and exports in 1922 and 1923.

	Million Zloty.	
	Imports.	Exports.
1922	845	655
1923	1.116	1.196

It seems certain that a further growth of overseas trade will be shown by the 1924 figures. The resources of Poland are indeed such as to make possible an overseas trade second only to that of the great nations of the world. The difficulties of the financial situation and lack of capital for the exploitation of her national wealth have so far stood in the way.

6. COMMERCIAL POLICY.

The commercial policy of Poland is governed wholly by her financial position; so far, therefore, it has largely been restrictive.

Legislation, both in regard to financial dealings (bank transactions, sale of currency, etc.), and in regard to commercial and customs and excise matters, has had in view the control of private transactions. By degrees restrictions are being removed, and a régime of greater freedom from government control is gradually being introduced. The policy of the present government is undoubtedly to encourage the normal flow of trade unhampered by regulations; and the future in this respect is promising.

7. COMPETITIVE SITUATION.

Briefly, present-day Poland is not a market in which British trade can be developed greatly. She is a country with immense possibilities and almost incalculable wealth in timber, oil, mineral resources, etc.; with every chance, in fact, to become rich enough to buy in the best market. Through her lack of capital, however, she ranks at this moment amongst the poorest nations in Europe: she is even unable to carry out reconstruction work within her frontiers which is vitally necessary to her wellbeing. In this period of temporary stagnation she is learning to make what she cannot afford to buy abroad.

The chief, in fact the sole really important competitor of Great Britain in Poland, has of course been, and must remain, Germany, who, with her natural geographical advantages, her life-long study of the market, and the methods, characteristics and susceptibilities of the Slav merchant, starts with immense advantages over Great Britain. When to these advantages are added her still undoubtedly cheaper production and delivery in the majority of trades, and the system of extended credits, granted to even comparatively new customers, the amount of leeway which must be made up by British exporters is seen to be considerable. The competition of Germany and, to a lesser extent, of Austria, Czechoslovakia, France and the Scandinavian countries may be overcome to a large degree if two unfavourable factors can be removed. These are: the higher cost of production and delivery of British goods as compared with other foreign makes, and the conservatism of British manufacturers and exporters and their reluctance to replace existing methods of business by methods necessary to success in this market.

GROUP 4.—SOUTH-EASTERN EUROPE.

ROUMANIA.

	1899	1912	1922
Population	5,956,690	7,230,418	16,500,000 (Est.)

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
United Kingdom exports to Roumania ...	1,056	1,947	2,772
United Kingdom re-exports to Roumania...	96	71	71
United Kingdom imports from Roumania...	2,624	2,037	2,354

Roumanian Trade Returns. General Trade.	1904. (1,000 lei.)	1913. (1,000 lei.)	1923. (1,000 lei.)
Total imports...	311,372	590,013	19,712,941
Imports from United Kingdom ...	45,064	55,738	*
Percentage from United Kingdom	14·5%	9·4%	
Total exports...	261,872	670,705	24,372,675
Exports to United Kingdom ...	25,619	41,840	*
Percentage to United Kingdom ...	9·8%	6·7%	

* No figures available.

Currency.—The unit of currency is the leu. The par rate of exchange is lei 25·22=£1. The annual average rates of exchange during the past four years have been as follows :—

1921	355	1923	944
1922	649	1924	892

1. GENERAL.

In common with other countries, during the post-war period, Roumania has encountered economic problems of considerable complexity and magnitude in which political difficulties have been reflected. But although in many respects there still exist unsolved problems—political, economic and financial—and the situation is not yet altogether satisfactory, considerable progress has been made.

1(a) **Effects of Territorial Changes.**—Territorial changes have increased Roumania's problems and responsibilities by the addition of Transylvania, part of the Banat, Bucovina and Bessarabia, thus enlarging the area of its territory from 138,000 square kilometres to almost 300,000 square kilometres, and increasing the population from 7,500,000 to about 17,000,000. Greater Roumania is capable of considerable economic and commercial expansion. The accession of territory has considerably augmented the agricultural and forest area of the country, and has brought within its boundaries certain industrial and commercial centres. Political conditions have a considerable influence upon the economic situation. Transylvania, once part of Austria-Hungary, looked formerly towards Vienna and Budapest. The territorial changes consequent upon the Treaties of Peace have altered this orientation, and Transylvania now looks towards Bucharest and Galatz. These changes necessitate a reorganisation of communications, the inadequacy and inefficiency of which under the present system have retarded economic development within the kingdom as now constituted. Improvement, necessarily gradual, is, however, taking place.

2. FINANCIAL.

State Finance.—The Public Debt of Roumania as at 1st January, 1925, is as follows :—

Consolidated Debt.

(*a*) External—570,000,000 francs (pre-war).
£30,912,409 (4 per Cent. Consolidation Loan and 4 per Cent. External Loan of 1922).
(*b*) Internal —14,892,216,300 lei.

Floating Debt.

(*a*) External—£5,453,167.
(*b*) Internal —Debt to National Bank 11,015,278,429 lei.
Treasury Bonds 664,652,430 lei.

War Debts.

France, 1,106,072,899 francs.
Great Britain, £26,000,000.
U.S.A., $29,452,105.
Italy, 151,000,000 lire.
Belgium, 24,000,000 francs.

Relief Debts.

Australia, £131,855.
Denmark, 140,972 kr.
France, 551,845 francs.
Great Britain, £2,234,806.
Norway, 60,256 kr, £2,984
Sweden, 117,482 kr.
Switzerland, 183,239 francs

Debt to U.S.A. for Sales of Surplus War Supplies and Materials, $16,153,344.

There are also certain miscellaneous foreign debts which require an annual expenditure in foreign currencies of about 1½ milliard lei.

Under the Peace Treaties Roumania is entitled to a share of reparation receipts, which, by Article 7 of the Agreement of 14th January, 1925, is fixed at 1·1 per cent. of payments made by Germany, and 10·55 per cent. of the payments made by Austria, Hungary and Bulgaria. On the other hand, Roumania is liable for a share of the pre-war Austrian and Hungarian Debt, and of the "Liberation Debt"; its share of the latter is 235 million gold francs. Roumania is also accountable to the Reparation Commission for the value of the State property in the Austrian and Hungarian territory which it has acquired.

The British and French Governments have agreed to compensate the Roumanian Government for the damage done to Roumanian oilfields on the eve of the German invasion in 1916 by a cancellation of part of Roumania's War Debts, provided that Roumania grants adequate compensation to the owners of the oilfields.

Towards the end of 1924 the Roumanian Ministry of Finance decided to pay off the internal floating debt according to the following plan :—

(1) Debts dating from 1919 to April 1st, 1923, for payment of which 450 million lei have been allotted.

(2) Debts dating from 1st April, 1923, to the end of that financial year (presumably March 31st, 1924), shall be paid with surplus budget funds.

(3) The payment of all remaining debts is to be decided at a later date.

Internal Treasury bonds are to be paid in order of presentation at the Public Debt Department. It is understood that the first payments have already been made.

According to the Roumanian Ministry of Finance revenue for 1924 amounted to 26,579,921,630 lei, making a surplus of more than 2 milliards over the budget estimate. The total figure for 1924 represents an increase of 3,205,252,979 lei over the 1923 revenue. In relation to the revenue hitherto produced from the same sources this shows a distinct improvement.

The following table shows the progressive increase in currency issues during recent years. Since the beginning of 1922 the note

circulation has increased by 4,200,000,000 lei, notwithstanding which money stringency has become steadily more acute :—

Date.	Circulation.	Total issue.	Gold.	Bills, &c., treated as Gold.	Total Reserve against Currency Issue.
	(In millions of Lei).				
December 31st :—					
1914 ...	578	641	154	63	217
1915 ...	762	813	220	81	301
1916 ...	1,452	1,479	493	81	574
1917 ...	1,961	2,003	494	196	689
1918 ...	2,489	2,614	494	349	843
1919 ...	4,215	4,431	495	916	1,411
1920 ...	9,486	10,096	495	2,704	3,200
1921 ...	13,722	14,345	495	4,086	4,581
1922 ...	15,162	15,998	533	4,637	5,170
June 30th :—					
1923 ...	16,202	16,749	545	4,857	5,402
December 31st :—					
1923 ...	17,916	18,794	555	5,456	6,011

It is reported that inflation has now ceased.

Capital.—With regard to capital resources, there is a dearth of liquid capital, and acute monetary stringency prevails. It is said that the peasants have hoarded a very considerable amount of money, but there is no means of ascertaining whether this is actually so or not.

With the object of relieving the situation, the government instituted an industrial credit bank with a nominal capital of 500,000,000 lei to make advances to industrial companies. Applications were made for over one thousand millions of lei. About 100,000,000 lei were advanced at 9 per cent. The limited amount of capital available renders it unlikely that the institution of this bank will effect any radical measure of relief.

Commercial Debts.—Roumanian importers are in debt to a very considerable amount to various foreign firms in respect of goods purchased during post-war years. Owing to the depreciation in the exchange value of the leu, Roumanian firms found it difficult to meet their sterling obligations; and after protracted negotiations agreements were entered into in 1923 with British creditors for the gradual settlement of commercial debts contracted in sterling between the 11th November, 1918, and the 31st December, 1921, settlement to be made with interest, on conditions specified, within a minimum period of 12 years and a maximum of 20 years. Agreements on a similar basis have been concluded with other foreign creditors.

An agreement for the settlement of debts incurred in sterling before the 11th November, 1918, has also been concluded, but it is not yet ratified. Under the agreement British creditors accept a composition of 35 per cent. minimum in sterling of the original debt, payable in fourteen half-yearly instalments, creditors to waive all interest due since the 4th August, 1914, and future interest.

3. INTERNAL ECONOMIC DEVELOPMENT.

Reconstruction and development in Roumania have been retarded by a variety of causes, and by the adoption of restrictive measures of an experimental nature. There are indications of improvement, however, and as conditions improve government intervention will become unnecessary and more normal conditions supervene.

3(a) Minerals.—The production of minerals made steady progress during the period 1920-23.

Production of Principal Minerals in Roumania for the years 1920, 1921, 1922 *and* 1923.

——	1920.	1921.	1922.	1923.
	Metric Tons.	Metric Tons.	Metric Tons.	Metric Tons.
Petroleum, crude ...	1,108,924	1,168,414	1,372,905	1,512,302
Coal—				
Lignite	1,400,049	1,594,719	1,861,579	2,229,410
Bituminous coal ...	161,337	176,670	201,379	232,682
Anthracite	26,189	33,298	53,263	59,301
Salt	246,976	232,818	285,212	306,612
	Cubic metres.	Cubic metres.	Cubic metres.	Cubic metres.
Natural gas—				
Annual consumption	170,537,689	180,482,416	250,093,998	287,113,622

The petroleum industry has shown a steady improvement in output. The production in 1912, the maximum year, however, was nearly 1,900,000 tons. Notwithstanding restrictions, borings in 1923 were higher; the figures for borings during 1919-23 were as follows :—

	Metres.
1919	16,000
1920	18,480
1921	50,859
1922	88,527
1923	123,260

The following table shows the number of wells and bores, either producing or under construction, at the end of 1922 and 1923 :—

	1922.	1923.
	Wells.	Wells.
Producing	1,152	1,218
Under construction	745	1,086

The production of crude oil during 1924 has been satisfactory, the average daily production during the month of October being 5,567 tons, representing an annual rate of 2,000,000 tons. This is the largest monthly production since the conclusion of the war, and exceeds the average of 1913, when Roumanian production reached its maximum. Production has satisfactorily increased during 1924, notwithstanding which the price of crude oil has risen and export prices also show an increase.

3(b) Agriculture.—Roumania is essentially an agricultural country. 41·8 per cent. of the total area is arable land, 5·4 per cent. meadow land, 1·1 per cent. vineyards and orchards, 24·6 per cent. forests, 9·7 per cent. pasture land, and 17·4 per cent. other than agricultural land. The areas sown over the whole of Roumania since 1920 have shown a gradual increase in the aggregate. Cereal production since the war throughout the New Kingdom is, however, much below capacity. This is in a measure due to the Agrarian Reform, which prescribes the division ofl large estates into small-holdings, and to the fact that the peasants have not yet made full use of the land allotted to them. Improvement in this direction is anticipated when the land reforms are completed, and as the smallholders become more accustomed to their new position. Restrictive legislation with regard to the sale and export of cereals has also been a contributing factor to under-production.

Freedom of grain exports was adopted at the end of 1923. This would have had the effect of encouraging production and increasing the exportable surplus, had it not become necessary to restrict the export of wheat in July, 1924, by increasing the export tariff from 25,000 lei to 45,000 lei per wagon of 10 tons. This was done with the object of conserving supplies for home consumption. At the end of 1924 the export of wheat was prohibited; and the price of wheat, flour and bread within the country was controlled. The reason given was that stocks of wheat were only sufficient for the needs of the population. This decision is viewed with apprehension, as likely to retard the possibility of the export of wheat from the 1925 crop. It is thought that the restriction of price may discourage spring sowing and result in there being no exportable surplus for 1925

In regard to export, it has to be borne in mind that Roumania now has a larger home consumption, which will limit the exportable surplus. Inadequate transport has also had an adverse effect upon grain production.

There has been a decline in quality, quantity, and methods of cultivation from pre-war standards.

The following table shows the progress made since 1919 :—

Roumanian Harvest.

—	1919.	1920.	1921.	1922.	1923.	*Pre-war averages.
	(In thousands of metric tons)					
Wheat	1,797	1,669	2,138	2,504	2,779	4,574
Rye	338	240	231	234	244	524
Oats	528	992	963	1,336	910	1,504
Barley	786	1,472	985	2,042	1,325	1,457
Maize	4,142	4,624	2,818	2,808	3,846	5,912
Total	8,142	8,997	7,135	8,924	9,104	13,971

* Estimate for present territory.

In regard to cattle breeding, the number of animals has increased throughout the country.

3(c) Railways, Roads and Waterpower.—The railways have remained in an unsatisfactory condition for several years. During the last two years, however, there have been decided improvements; and a good deal has been done, and is still being done, to effect further progress, and to construct new lines to facilitate communication with Transylvania. The work of converting the Russian gauge tracks in Bessarabia to normal gauge is also proceeding. The roads are in a bad state of repair, and road transport is negligible. There is much scope for development of water power. This, however, cannot be immediate, as it depends on the expansion of industries and fuller exploitation of the natural resources of the country.

4. INDUSTRIAL POLICY.

The development of domestic manufactures is proceeding slowly. Engineering works, railway workshops and textile factories have been established. Transylvania is, of course, an industrial centre, and there is a growing and natural tendency to draw supplies from that source for the Old Kingdom of Roumania. There will remain, however, a demand in Roumania for high-class goods of foreign manufacture. The growth of home industries in Roumania will not affect British trade seriously.

Loans for commercial and industrial purposes have been made by the National Bank, which has on this account increased its portfolio by 2,056,000,000 lei in 1923, and by 2,000,000,000 lei in 1922.

In December, 1923, the Government abolished the system of fixed maximum prices for the sale of petroleum products in Roumania, and permitted the companies to charge prices upon the basis of world prices. This in considerable measure frees the petroleum industry from one of the most onerous restrictions. The export of crude oil and fuel* oil is prohibited, and companies are compelled to supply the Government with quantities of residues for fuel at a very low price. A law was promulgated at the end of 1923 increasing the State royalty on crude petroleum production from 1 per cent. to 2 per cent., to be paid in kind during 1924. The oil resulting, together with the quotas of production secured to the State from enterprises operating State oil lands, are offered for sale. The crude oil cannot be exported, and must be refined in Roumania, the purchaser taking delivery of the white products resulting therefrom, and returning the residues to the Government.

A new mining law with many contentious provisions has been put into operation. This law provides for ultimately bringing oil-producing companies which operate State oil lands under Roumanian control; also for State control of the pipe lines and the marketing of petroleum products within the country. Certain modifications have been made by the Roumanian Government, and it is understood that consideration is being given to the possibility of effecting further alterations.

A law has also been passed providing for the exploitation of water courses and the generation of water power, with a view, ultimately, to the general electrification of the country.

A law has also been promulgated which provides that enterprises previously operated by the State shall now be administered by limited companies, with State participation both in the administration and capitalisation. Concerns carrying out work of national importance, not hitherto controlled by the State, will be brought under State administration in this way.

Companies operating in Roumania must have two-thirds of the capital in Roumanian hands, and three-quarters of the directors must be Roumanian nationals.

A law promulgated on the 21st December, 1922, restricts the use of the Roumanian flag to vessels owned by companies having a preponderance of Roumanian capital. The effect of this law is to confine the right to fly the Roumanian flag, and so to engage in cabotage between Roumanian ports on the Danube, to vessels owned by companies in which two-thirds of the capital and three-fourths of the directors are Roumanian. This is in accordance with the general trend of Roumanian legislation, which aims at "Roumanianizing" industry. As a result, the Anglo-Roumanian Danube Navigation Company, which had been formed by British interests to provide such a cabotage service, had finally to relinquish its purpose. A monopoly has thus been secured for Roumanian companies.

* Removed 1925.

The Government have fixed the price to be paid by State departments, State industries and other authorities for coal at a rate much below that of imported coal; and, as the greater part of the production is taken at this reduced price, which is below market value, the industry is at a disadvantage.

In the metallurgical industries demands are being made for protection from foreign imports.

5. EXTERNAL TRADE.

The export trade of Roumania is capable of very considerable expansion.

The total exports since 1919 are as follows :—

Year... ...	1919.	1920.	1921.	1922.	1923.
Metric tons...	109,140	1,467,118	2,713,138	4,069,963	4,878,210

In 1913, however, the total exports from the Old Kingdom amounted to 4,569,076 metric tons. This is below the total for 1923, but before the war the area and population were both appreciably less than half the present totals. In normal circumstances, therefore, a considerably greater increase might have been expected. The total weight of exports in 1924 seems likely to fall below the 1923 total by about 10 per cent.

There has been a considerable increase in the export of barley and maize, while the increase in the export of cereals as a whole approximates to 600,000 tons.

During 1923 the exports of petroleum products were as follows :—

——	Benzine.	Refined and Distilled Petroleum.	Residual Oils.	Mineral Oil.	Crude Oil.	Total.
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
Austria ...	25,657	25,353	1,901	941	—	53,852
Egypt	3,643	41,432	151	77	—	45,303
Hungary ...	10,175	21,114	5,980	3,389	—	40,658
Italy	20,978	11,818	2,845	520	925	37,086
England ...	4,013	29,623	9	—	—	33,645
Germany ...	28,154	3,603	—	468	—	32,225
Turkey ...	5,544	22,497	2,325	643	—	31,009
Jugoslavia ...	5,514	9,845	8,741	5,239	—	29,339
France... ...	14,745	5,830	—	15	—	20,590
Other countries	26,509	21,879	8,296	3,751	—	60,435
TOTAL ...	144,932	192,994	30,248	15,043	925	384,142

In 1922, 435,635 tons were exported, so that the 1923 exports are 12 per cent. less, or 25 per cent. of production, whereas the exports in 1921 and 1922 were 31 per cent. of production, while

in 1913, 55 per cent. of production was exported. This decrease is in a measure due to the increase in population and internal consumption.

Exports of petroleum products during 1924 increased from 9,489 metric tons in January to 45,952 tons in November. The export of fuel oil was prohibited.

Total imports from Roumania into this country in 1923 represented a value of £2,353,885. This is greater than that of the preceding year, but less than in 1920 and 1921.

The import figures for the years indicated are as follows :—

Year ...	1913.	1919.	1920.	1921.	1922.	1923.
Metric tons...	1,374,116	413,939	304,485	615,451	583,668	703,274

Roumania has imported from the United Kingdom cotton goods and yarns, shirtings, calicoes, iron bars, sheet iron, agricultural machinery and coal for fifty years or more.

The imports of British extra hard yarns were below normal during 1923. Owing to transport conditions, Transylvanian importers obtained their supplies of cotton goods from Italy by rail over Trieste. These conditions also favour imports of cotton goods from Czechoslovakia, a country whose manufacturers also have the advantage of long experience in catering for Transylvanian markets in the days when both formed part of the Austro-Hungarian monarchy.

A new development in the early part of 1923 was the severe competition which was met from Polish textiles of inferior quality. Polish manufacturers, like the Czechs and Italians, have direct railway communication with Roumania. In staple articles British goods are able to withstand competition, but in certain lines competition will be encountered.

The trade in higher grade woollen textiles is predominantly British in character. A good trade is also done in goods of lower quality.

The total imports of coal in 1921 and 1922 were as follows :—

	1921.	1922.
	Metric tons.	
Coal	55,524	25,942
Coke	10,031	12,324
Anthracite	843	1,715

Prior to the war, about 300,000 tons of coal and coke were imported, chiefly from the United Kingdom.

In agricultural machinery there is competition from Transylvania, and also from Austria, Czechoslovakia, Hungary and Germany. British manufactures in this class were exported largely to Roumania in the past, but by 1914 British firms had transferred part of this trade to firms in Austria-Hungary and Germany in which they were financially or otherwise interested. British firms transacted a considerable business in smaller

machinery and implements prior to the war, and this could doubtless be resumed and expanded when the land reforms are completed in Roumania and the peasant sets himself to cultivate his land. The Agrarian Reform measures, will, however, lessen the market for larger machines.

Plant for factories, saw-mills, flour-mills, etc., is supplied from Austria and Germany. Many of the mechanics and engineers operating these enterprises received their technical education in those countries and are familiar with German installations.

French firms formerly supplied printing machinery, but Germany captured this trade before the war.

The giving of services with purchases is adopted by Continental and United States firms, and is a method of competition which would assist in securing the market for this country. For example, a representative of a belting firm will examine the installation of the buyer, test it for stresses and indicate the type of belting best suited for the purpose.

Iron and metal goods and hollowware have entered the market from Poland, whose efforts have been attended with success.

Chemicals and drugs come chiefly from Germany. Efforts are being made by Transylvanian importers to substitute British goods for German products, but the obstacles in the shape of cost, etc., are found to be considerable.

Leather and other goods meet with considerable competition from local manufactures in Transylvania. Shoes, however, are imported from Czechoslovakia, Austria, Switzerland and France in considerable quantities.

The following returns of imports of certain iron goods since 1920 give an indication of the proportion of Roumanian trade secured by the various supplying countries :—

Country.	Rolled iron in round or square bars of all diameters, widths and thickness. (In metric tons.)				Rolled iron for wire-drawing. (In metric tons.)			
	1920.	1921.	1922.	1st half 1923.	1920.	1921.	1922.	1st half 1923.
United Kingdom	688	140	534	345	1,115	194	—	205
Austria	2,282	7,005	7,306	2,062	—	723	1,597	805
Belgium ...	67	1,704	2,265	3,684	—	1,117	998	552
Czechoslovakia ...	157	5,565	7,197	10,170	—	275	737	386
France	22	172	1,171	410	—	—	—	51
Germany ...	179	7,382	10,669	9,458	237	2,288	2,070	891
Italy	—	5	—	—	—	80	—	—
Poland	187	416	1,419	418	—	—	—	15
United States ...	35	409	47	—	104	17	—	—
All Countries	4,005	25,644	37,871	27,955	1,487	5,201	6,214	3,155

Country.	Sheets and Plates of rolled iron, including corrugated, drawn by rolling, without other preparation, 2 mm. thickness and above.				The same below 2 down to ½ mm. thickness.			
	1920.	1921.	1922.	1st half 1923.	1920.	1921.	1922.	1st half 1923.
United Kingdom ...	162	80	243	68	362	82	172	322
Austria...	109	1,360	4,615	221	257	1,091	697	321
Belgium	26	759	227	810	44	267	130	31
Czechoslovakia ...	45	394	306	196	52	688	464	429
France	1	19	180	153	1	13	116	4
Germany	27	3,178	6,150	1,005	80	599	514	252
Italy...	—	—	—	—	—	—	—	10
Poland...	—	6	45	1	6	51	25	5
United States ...	23	418	—	—	28	141	—	—
All countries ...	1,054	6,847	12,438	2,694	834	3,061	2,310	1,451

Country.	Same under ½ mm. thickness.			
	1920.	1921.	1922.	1st half 1923.
United Kingdom	1,684	784	2,280	765
Austria	16	429	314	119
Belgium	162	817	676	260
Czechoslovakia	16	302	327	310
France	—	76	238	50
Germany...	9	511	1,117	361
Italy	—	—	—	—
Poland	—	17	34	20
United States	—	33	—	—
Total (including Other Countries).	1,925	3,130	5,149	1,922

6. COMMERCIAL POLICY.

The policy of the country in regard to foreign trade has altered for the better in many respects; and with a greater measure of freedom from control and intervention the prospects of further improvement are favourable.

7. COMPETITIVE SITUATION.

It may be said in regard to the class of goods which Roumania has obtained in the past from this country that these goods will continue to be obtained from Great Britain. There is competition in textile goods, however, from Czechoslovakia, Poland, Austria, and particularly from Italy. The factor of cost and the depreciation in the Roumanian currency have to be borne in mind in considering this question. If the high cost of British

goods hitherto obtained from this country is maintained, a considerable portion of the trade will be diverted to Czechoslovakia, Poland, and especially to Italy. Suppliers in these countries have been more accommodating towards the Roumanian buyer. The depreciation in the exchange value of the national currency makes it extremely difficult for Roumanian firms to buy expensive British goods in the face of competition from countries such as Italy, whose quotations are much lower than those of British firms. Geographical position, and the consequent greater facility of transport and saving of time, are also important factors in the situation.

SERB-CROAT-SLOVENE KINGDOM.
(S.H.S. OR JUGO-SLAVIA.)

	1920.
,, Population	12,017,323

British Trade Returns. Merchandise only.	1923. (£1,000.)
United Kingdom exports to Serb-Croat-Slovene Kingdom ...	914
United Kingdom re-exports to Serb-Croat-Slovene Kingdom...	18
United Kingdom imports from Serb-Croat-Slovene Kingdom	696

S.H.S. Trade Returns.	1923. (1,000 dinars.)
Total Imports	8,309,635
Imports from United Kingdom	823,373
Percentage from United Kingdom	9·9%
Total Exports	8,048,844
Exports to United Kingdom	172,256
Percentage to United Kingdom	2·1%

Currency.—The unit of currency is the dinar. The par rate of exchange is dinars 25·22 = £1. The annual average rates of exchange during the past four years have been as follows :—

1921	177	1923	428
1922	326	1924	346

1. GENERAL.

The internal political position in Jugoslavia has not retarded progress to the extent which might have been expected, although

it has certainly been reflected in the economic and commercial situation, and has had a detrimental effect upon Serb-Croat-Slovene credit abroad. Recent political crises have had no effect on the international value of the national currency, which has this year kept comparatively stable at about 300. This is doubtless due to the determination of the country as a whole to resuscitate and consolidate itself, and to the sound and enlightened administration of the Minister of Finance.

1(a) Effects of Territorial Changes.—The Kingdom of the Serbs, Croats and Slovenes (Jugoslavia) consists of the former Kingdom of Serbia, of former Austro-Hungarian territories and Montenegro. It is one of the richest countries in Europe in respect of natural resources and potential wealth.

These territorial changes have brought a corresponding increase in responsibility, and difficulties are experienced in welding together the various sections of the triune kingdom.

The country has a seaboard on the Adriatic. The state of protracted uncertainty with regard to the Adriatic and the future of Fiume, now terminated by the agreement with Italy, presented problems which retarded recovery. Another effect of territorial re-arrangement is the strong natural desire to establish direct financial and commercial relations with London, instead of reverting to the former custom of conducting all negotiations affecting this area with Viennese banks, and there is now a new orientation. Vienna and Budapest will not in the future control the financial affairs of the Succession States to the same extent as when they were included in the dual monarchy; but Vienna will probably continue, in a restricted degree, to be the financial centre of South-Eastern Europe.

The economic position has accordingly undergone considerable change as a result of territorial expansion; and the country, previously wholly agricultural, has now within its borders a few industrial and commercial centres, in addition to an accession of valuable timber and mining areas, and a considerable increase of agricultural land.

The readjustment of boundaries necessitates a corresponding adjustment of the railway system, which in the former Austro-Hungarian monarchy centred on Vienna and Budapest. An east to west system and the extension of port facilities on the Adriatic are now essential.

2. FINANCIAL BURDENS AND CAPITAL RESOURCES.

The Debts of the Serb-Croat-Slovene Kingdom are as follows:—

Pre-War:

Serbian Loans	...	...	781,000,000 francs.
Montenegro	...	...	£231,340.
			11,000,000 francs.

There are also sundry small loans issued by Croatia, Slovenia, etc.

Post-War :

Dinars, 5,230,000,000 (nominal amount).
$15,250,000.
francs 150,000,000.

Loans from foreign Governments :

U.S.A.	$65,414,998
U.K. War Debt	£29,905,000
Relief Debt	£2,387,715
France	1,738,600,000 francs
Other Governments	£39,500 (about)

The Serb-Croat-Slovene Kingdom is also responsible for a share in the pre-war debts of the Austro-Hungarian Monarchy, the precise amount of which cannot be stated at present.

State revenues were expected to produce in 1924-25 10,405,000,000 dinars.* This was an increase on the preceding budget of between three and four milliards of dinars, which was mainly due to the exercise of care in the preparation of estimates so as to avoid supplementary credits. Among other reasons were the improvement of the position of civil and military personnel, who have hitherto been greatly underpaid, at an additional cost of 500 million dinars, and the provision of 350 million dinars for railway construction and repair, much of which is carried out from ordinary revenue. Repayment of certain debts is also provided for. It is anticipated that the budget will balance.

Sources of revenue include the State Monopolies, from which it is estimated that 2,336,050,000 dinars will be forthcoming; State Railway receipts, the fares and freight rates having been increased by 50 per cent. without hardship, in view of the depreciated value of the currency; Customs; and direct and indirect taxation. The increased expenditure is intended to be met in large measure from these sources, and chiefly from the surtax of 500 per cent. upon direct taxes (land tax, etc.) and from the augmentation of stamp duties.

It is computed that the State Monopolies and Customs receipts produce £12,000,000 annually, upon which there is at present a charge not exceeding £1,750,000 per annum in respect of certain loans. The gross railway receipts approximate £6,000,000 per annum.

Note circulation at the end of 1923 amounted to 5,790,240,920 dinars, an increase of 750,000,000 dinars on the preceding year, which is covered fully by the expansion of ordinary operations and by the increase in sound foreign money instruments, etc., held by the National Bank. Inflation has been resisted.

At the beginning of 1923 the share capital of the more important banks totalled 1,080,000,000 dinars; their reserve

* The total of the credits proposed for the budgetary year 1925–26 is believed to be in the neighbourhood of 13 milliard dinars.

capital, 358,000,000 dinars; deposits (savings), 1,576,000,000 dinars. Dividends paid in 1922 ranged from 5 to 30 per cent. High rates of interest (from 20 to 30 per cent.) are charged for financial accommodation for trade purposes. The National Bank (bank of issue) share capital is fixed at 50 million gold dinars (not fully paid)

The banks in S.H.S. experienced difficult periods in 1922 and 1923 Increases of capital in 1923 amounted to 57,000,000 dinars, as compared with 108,000,000 dinars in 1922. It is noteworthy that more than a quarter of the increases in capital in 1923 were subscribed by Vienna. Several of the smaller banking institutions declared themselves bankrupt in 1923, but this elimination of weaker concerns of less satisfactory repute will create a healthier condition, and their disappearance may be regarded as satisfactory. Owing to the collapse of these banks, however, the confidence of depositors was affected, and deposits in the Belgrade banks fell by 24,000,000 dinars to a total of 315,000,000.

The net profits of the Belgrade banks for 1923 amounted to 55·5 million dinars, as against 50·9 million dinars in 1922. The average dividend paid was 8·65 per cent., as against 10·92 per cent. in 1922. The real estate of the Belgrade banks is computed at 208 million dinars, which is 45·9 millions more than in 1922. The portfolios of bills, which in 1922 amounted to 431 millions, decreased in 1923 to 356 millions, which decrease is due to the efforts of the banks to make their assets as liquid as possible. Banks now give fewer loans upon securities, and transacted less business in 1923 in actual goods, many of them having liquidated their merchandise sections.

The banks outside the capital generally had more favourable results. The total capital increased from 142 to 229 million dinars. The confidence of their depositors was less affected than in Belgrade, deposits rising from 146,000,000 to 193,000,000. Higher dividends were on the average paid by the country banks, the majority paying 20 per cent., though a few paid as much as 40 per cent.

The State Mortgage Bank, the liabilities of which are guaranteed by the State, recently concluded a loan in Switzerland of 15,000,000 Swiss francs at 7 per cent., repayable within twelve years, for the purpose of completing the construction of public buildings, etc.

The capital resources in actual money are insufficient for economic progress of any great extent, and liquid capital is not available in the country for essential reconstruction, except in so far as it can be provided out of Budget revenue. Recourse must be had to foreign loans.

In natural resources the country possesses considerable potential capital. The national wealth of the territory forming the Serb-Croat-Slovene Kingdom consists principally of agriculture, livestock, forests and mines.

The raising of cereals is the most important branch of agriculture, which is the basis of the nation's wealth. The breeding of livestock takes second place. The production of tobacco, fruit, vegetables, etc., and the cultivation of the vine, are carried out on an extensive scale, and provide a considerable surplus for export. The timber and mineral resources are extensive and capable of considerable expansion.

The fact that S.H.S. credit is not high in foreign financial markets is not due to any inherent cause, but has been attributable to lack of knowledge of the country, to the absence of confidence resulting from the general international situation, and to a sense of insecurity felt in regard to the internal political position. Some improvement has taken place in this respect and the feeling of the markets is more favourable.

Article 28 of the Law for the Liquidation of the Moratorium legalises the settlement of Serbian pre-war debts in foreign currency at the pre-war rate of exchange. This has had an injurious effect upon the credit of the country, but it is possible that discussions between debtors and creditors may be resumed with a view to arriving at an amicable settlement.

3. INTERNAL DEVELOPMENT.

Notwithstanding the difficulties which confronted S.H.S. after the war, the nation as a whole set itself with determination to put its house in order, and marked progress has been made. The financial and economic policy has been sound on the whole. The principal banks extended the trading side of their business by acquiring interests in, or establishing, trading concerns, and especially small industrial enterprises. This immobilization of capital has, however, resulted unsatisfactorily in some cases and is not now so prevalent.

The Government, through the National Bank, has assisted in the resuscitation of industry and the establishment of new industries by granting dinar credits at 6 per cent. The State Mortgage Bank, with the assistance of Swiss bankers, has made advances to the Farmers' Co-operative Societies for reviving and improving agriculture.

Such industries as exist are not extensive, and are chiefly those which utilize the agricultural, forest, and mineral resources of the country as raw material.

The State Monopolies (referred to below) have been successfully exploited with the object of improving the economic position and increasing revenue. The operations of the National Bank have been extended with the purpose of rendering efficient financial aid in the economic consolidation and expansion of the country. By the end of 1920, two-thirds of the Serbian industries, which had been damaged and put out of action during the war, had been reconstructed with the help of the local banks, and in many cases with new machinery obtained from Germany under Reparations in kind.

Obstacles to growth are lack of capital; high cost of imported material; depreciation in value of national currency; transport disorganisation.

3(a) Agriculture.—Considerable progress in agriculture has been made. Production is dependent on weather conditions, which necessarily cause fluctuations in quality and quantity. Uncultivated land in Southern Serbia, acquired subsequent to the Balkan wars, is being made productive, with the assistance of the State, which gives grants of free land and other facilities to farmers who settle in this area.

An Agricultural State Bank is in course of formation for the purpose of affording to agriculturalists loans, in the form of short term credits, for the purchsae of essential material and implements, and for harvesting, threshing, etc., and in the form of long-term credits not exceeding 15 years for the purchase of land, repayment of loans upon land, etc.

It is proposed to establish a Handicrafts Bank on similar lines to assist the small tradesman (other than shopkeepers).

Cattle breeding is being successfully developed.

Wine production has been extended, but difficulty is experienced in finding markets.

3(b) Mining.—The mineral resources are important, almost every known mineral of commercial value being found. Although not fully utilised, they offer great possibilities for the future. Operations are in progress, and foreign concerns, including several British companies, are engaged in exploratory work and exploitation.

Extensive iron ore deposits are being worked, and these, with the fairly widely distributed coalfields, provide a ready means of utilising raw materials for industry. There are large deposits of lignite, but practically no coking coal. The delivery of coal from Bulgaria and Hungary under the terms of the Peace Treaties is held by many to restrict the development of coal mining in S.H.S. at present. Copper deposits of considerable value are worked with success. The largest and most productive copper mine at Bor, owned by a French company, is considered to be one of the richest copper deposits in the world. Gold and silver deposits have been worked by British concerns, but are not being actively exploited at the present time.

Other deposits of importance are chrome ore, manganese, zinc and lead, bauxite, of which large deposits occur in Dalmatia, cement stone. Oil is being prospected for in various districts, and, although large quantities of natural gas occur, the possibility of commercial exploitation is doubtful.

In Slovenia, Croatia and Slavonia the mining industry is more highly developed, both by State and private enterprise, than in other districts; there is increased activity throughout the country, and interest has been evinced by foreign geologists and mining syndicates. There is much scope for expansion.

3(c) Timber.—In the timber industry improvements, with the aid of foreign enterprise, are taking place. The forest possessions constitute an asset of great economic value; the industry is assuming growing importance and saw-mills are actively employed. A better system of protection and conservation is necessary to ensure that these valuable natural resources yield revenue in accordance with their economic value. It is estimated that an average of five million cubic metres of timber will be cut annually during the next 10 years.

The situation prevailing until recently at Fiume, which is specially constituted as a lumber port, has hampered the timber export trade. Since the settlement has been reached there has been revived activity in the shipment of timber from Porto Baross and Susak.

Distillation of wood is carried on extensively at two factories in Bosnia.

3(d) Water Power.—A potential source of economic strength, which is not fully utilised, except in Slovenia, owing to lack of capital, lies in the water-power of the numerous swiftly flowing rivers, waterfalls and mountain torrents.

3(e) Railways.—The railways, the destruction of which in former Serbia was systematically and thoroughly carried out, have been remade and extensions effected within the limits of the means available from revenue, but development on a scale commensurate with requirements has been impossible owing to lack of capital.

The railway system in the Succession States, which was for the most part constructed for strategic military purposes by Austria-Hungary, does not efficiently serve producing areas. The economic interests of the country require fuller facilities for intercourse with all parts of the kingdom, and especially between productive and commercial centres and the coastal and river ports.

Larger schemes of extension and the construction of new tracks, particularly the Belgrade-Adriatic Railway, have of necessity been deferred until a foreign loan can be successfully negotiated.

3(f) Water Transport.—River and coastal transport have been somewhat improved with State assistance, but are capable of further improvement. Reorganisation is taking place and various proposals for adequate river ports are awaiting the necessary finance. Much remains to be done in this matter.

3(g) Roads.—The main arterial roads of Serbia were not constructed to bear even moderately heavy traffic. Main roadways have been re-made, but, on the whole, roadways throughout the country are in disrepair.

Free zone arrangements have been made for S.H.S. traffic at Salonica, and certain rights on the railway to that port have

been acquired.* Traffic is increasing. Similar arrangements are contemplated at Fiume. The railway from that port eastward is now in operation.

4. INDUSTRIAL POLICY.

The revival of industry has been encouraged in the years following the war. The policy followed has been improved from time to time, and has resulted in increased production and exports.

Agriculture in all its branches has benefited, and growth is progressive. Viticulture is subsidised, and assisted in other ways, with the object of improving the quality of the wine. There is an increase in mineral production. Notwithstanding the difficulties consequent upon the general monetary stringency, which weighed heavily upon industry, the abnormal rates of interest demanded in respect of credits, and the effect of "dumping" of Czech, German and Italian goods, new industrial enterprises have been established. Most of these, with the exception of saw-mills, flour-mills and meat-preserving factories, work almost exclusively for the home trade.

The timber industry, which, as indicated by the figures given below, made steady progress during the years 1921-1924, is now faced with a serious position, owing to the rapid appreciation of the dinar. Many large enterprises have already begun to close down. In order that the exports of this important industry should not be seriously diminished, a conference of representatives of the industry was held during January, 1925, to consider the best means of assisting producers, and certain recommendations were made to the Government. The result of this action by the industry is not yet known.

Export of Timber in dinars.

	Dinars.
1921	198,011,000
1922	623,050,000
1923	1,539,571,000
1924	1,620,200,000

Much is being done to encourage the cultivation of sugar beet, and the area sown has shown a steady increase since 1920. In 1923, 24,000 hectares were planted, and 30,000 tons of sugar were manufactured. This was under capacity, and further measures to increase production were adopted. The 1924 production was much in excess of home requirements, and a considerable exportable surplus was expected. A cartel has been founded for the purpose of maintaining prices.

State aid has been rendered to the silkworm industry. The annual production is considerable. S.H.S. is fourth in order of importance of the silk-producing countries of Europe.

* This matter is at present the subject of negotiation between the Greek and S.H.S. Governments.

Local industries comprise leather, carpets (a peasant home industry), flax and hemp works, ropeworks, glass-making, vegetable oils, alcohol, brewing, chemicals, metallurgical works, sawmilling, flourmilling, cement works, papermaking, etc.

Manufacturing industries have not been developed to any large extent. In recent years, however, the high cost of imported articles and the depreciated value of the national currency have acted as a strong incentive to increase local production. In this respect it is unlikely that the country will go back; on the contrary, progress is being made and British trade will be affected, but not to any appreciable extent. For example, the local textile industry produces articles of a quality different from that of the articles imported from this country; and a demand for imported articles of higher qualities will continue.

The chief industrial areas of the Succession States are not within the territory acquired by S.H.S. under the Peace Treaties, but are in Czechoslovakia.

Regulations have been put into operation by the Ministry of Agriculture for the establishment and maintenance of stations for cleaning and sorting wheat and the preparation of seed corn. 140 of these stations have been installed.

Measures are under consideration for extending the use of fertilizers, which have not hitherto been sufficiently employed. An extension of technical education is also contemplated. Efforts are being made to induce greater Government assistance to agriculture by the reduction of transport tariffs on raw materials, the prohibition of the export of raw materials, the reduction of shipping tariffs and railway freight rates on fertilizers.

The following figures for the beginning of 1924 show an increase over 1923 in live stock of all kinds, except cattle and pigs. The decrease in cattle is due to the drought which occurred in 1923, and made it necessary to reduce the size of herds.

	1924.	1923.
Horses	1,062,893	1,034,139
Cattle	3,869,915	4,053,115
Pigs	2,496,723	2,577,704
Sheep	7,639,257	7,542,110
Goats	1,730,204	1,681,219
Poultry	14,195,968	13,153,670

Important measures have been enacted which it is hoped will result in an improvement in stock-breeding.

Pig-raising has not yet attained pre-war standard.

The total value of fruits exported in 1923 approximated 445,000,000 dinars.

The State Monopolies in S.H.S. cover tobacco, salt, petroleum, matches, cigarette paper, alcohol and Government stamps. The primary object is the increase of State revenue, nearly 25 per cent. of which is obtained from this source.

The buying-up price of tobacco was doubled in 1923. Production has increased to the following extent :—

Year.	Hectares planted.	Plants raised.	Kilograms sold.
1919	6,385,24	431,865,207	4,832,116
1920	11,991,98	661,700,064	9,023,654
1921	14,784,72	843,534,997	11,924,860
1922	12,629,18	721,183,365	10,000,864
1923	19,560,76	1,023,354,312	19,289,281

The tobacco produced is of good quality. 200,000 kilograms of the 1922 crop have been purchased by the Czechoslovakian Tobacco Regie. Considerable quantities of tobacco leaf could be made available for export.

The State Monopoly administration is likely to participate in a paper mill, and also in a cigarette paper factory. It is proposed to erect a new salt factory capable of producing 35,000 tons of salt annually, to obviate importation of this commodity from Roumania. At present 120,000 tons are consumed, of which 90,000 tons are produced locally.

5. EXTERNAL TRADE DEVELOPMENT, GROWTH AND VALUE OF EXPORTS.

The following table indicates the increase of exports since 1919 :—

Year.	Metric Tons.	Dinars.
1919	282,679	686,845,040
1920	915,186	1,320,606,055
1921	1,583,658	2,460,737,562
1922	2,213,881	3,691,166,163
1923	3,025,914	8,048,843,930
1924 (approx.) ...	3,916,000	9,540,000,000

While the maize crop in 1923 was poor, owing to abnormal drought, that for 1924 exceeded all former years, notwithstanding the fact that a somewhat smaller area was sown. A large quantity was therefore available for export. During 1924 245,146 tons were exported to a value of 585·2 million dinars, the principal countries to which it was sent being :—

Austria	285·9	million dinars.
Czecho-Slovakia	146·2	,, ,,
Roumania	48·9	,, ,,

The trade returns for 1923 indicated that the country was within reasonable distance of a favourable trade balance. The provisional statements for 1924 show that, as a result of serious efforts to increase export trade, imports during 1924 were exceeded by exports to a value of 1,317,030,880 dinars.

6. COMMERCIAL POLICY.

Various restrictive measures affecting imports and exports, control of traffic in exchange and currency and the remittance of payments, the fixing of a fictitious rate of exchange and heavy taxation on imports and exports, which had a deleterious influence on trade and commerce, continued until the end of 1922, when the present Minister of Finance came into office and restored a measure of free traffic in valuta and abolished the system of permits for importation and the purchase of foreign exchange. The reaction, together with the monetary stringency, somewhat retarded trade recovery, but considerable improvement resulted in time. The further removal of restrictions, with almost complete freedom in exchange transactions, is possible in the near future.

It has been the policy of the Minister of Finance gradually to decrease indirect and to increase direct taxation. He has inaugurated a policy of deflation, the beneficial result of which showed itself in the rapid recovery of the dinar from the unsettling effect of the " pegging " operations of 1922.

Seasonal credits granted to financial, industrial and commercial undertakings for financing exports have been restricted, and this may have adversely affected the export trade. The National Bank advanced 348 million dinars in 1922 for financing the exportation of produce, but limited the amount in 1923 to 165 million dinars for commercial and industrial purposes. The acute monetary stringency, from which the country has not yet emerged, is said to have been due to speculation, overtrading and adventurous enterprises for which insufficient capital was available.

The amount of foreign currencies which may be taken out of the country is limited. Restrictions are also imposed on dealings in foreign exchange. The new import tariff provides for a measure of protection of home industries. The export tariff has hindered trade and prevented agricultural products from competing successfully in the world's markets, and has after many changes been considerably modified to facilitate trade. Further modifications are likely to be made in the immediate future, and the prospects of amelioration are, therefore, distinctly hopeful.

The system by which banks are responsible for ensuring that the purchase of foreign drafts, etc., is justified and supported by documentary evidence is still in force. The National Bank retains its option to purchase one-third of sound money instruments resulting from exportation. A fortnightly list of export commodities is issued, with prices, and exporters are required to bring for sale, through approved channels, an amount in foreign money instruments equivalent to the value of the goods exported.

7. COMPETITIVE SITUATION.

Trade with the United Kingdom has increased, both as regards exports and imports, during post-war years. The statistics for the year 1923 indicate that Great Britain provided for that period 9·9 per cent. of the total imports into S.H.S., compared with 7 per cent. in 1920. Exports from S.H.S. to the United Kingdom increased from 0·25 per cent. in 1920 to 2·1 per cent. in 1923.

Textiles, including yarns, occupy first place among the articles imported from this country. Czechoslovakia and Italy are the principal competitors; the latter is making strenuous efforts to monopolise this trade and has the advantage of geographical proximity. Italian manufacturers are producing the special kinds of yarn suitable to the market at prices substantially lower than those of the Lancashire products. This trade has previously been chiefly in the hands of British manufacturers.

The importation of printed cotton flannels from Italy and Czechoslovakia is steadily increasing.

The financial stringency affected the importation of British goods, as buyers of United Kingdom textile goods in normal conditions have been under the necessity of purchasing goods of lower price from other sources.

Czechoslovak and Italian manufacturers trade direct with the importer, whereas British export trade is not usually conducted in this direct method and is not understood by S.H.S. buyers, who prefer to avoid all intermediaries.

There is very little import of British-made machinery and metal products. Considerable quantities of material of this description have been obtained from Germany, under "Reparations," including locomotives, rolling stock, bridge construction material, agricultural machinery and implements. This has reduced the volume of trade with other foreign manufacturers. Contingents of livestock have likewise been delivered from Germany, Hungary and Bulgaria, and coal from the last two sources.

Deliveries from Germany in kind, under "Reparations," were suspended for some time owing to the occupation of the Ruhr. This, and the inability of German firms to compete as strongly as before, provided an opportunity for British firms. This was not fully seized, however, owing to the money stringency and the conservatism of purchaser and seller; and Czech and Swiss firms have taken advantage of the opening thus afforded.

With the removal of import restrictions and exchange control, and the improvement in the national currency, the position became more promising. The demand for woollen textiles and cotton goods is steadily increasing. The competition from other countries in these goods is less severe, owing to the rise in the value of the Czech crown and the practice of exporters in countries with depreciated exchanges quoting in sound currency,

i.e., dollars, sterling, or Swiss francs. German firms quote in foreign currencies, and German prices have increased as much as 60 per cent.

The personal element is an important factor in trade relations with S.H.S.

The increase in trade with this country is illustrated by the following table :—

	S.H.S. Imports from United Kingdom.		S.H.S. Exports to United Kingdom.	
	Millions of Dinars.	Per cent. of Total Imports.	Millions of Dinars.	Per cent. of Total Exports.
1920	244·3	7·0	3·3	0·25
1921	246·2	6·0	17·7	0·7
1922	458·5	7·1	69·5	1·9
1923	823·4	9·9	172·3	2·1

The following table indicates the participation of foreign countries in the principal imports during 1922 and 1923 :—

Country of Origin.	Percentage of Total Imports. 1922.	1923
Austria	28·9	26·9
Czechoslovakia	19·8	18·5
Italy	15·3	17·7
Germany	7·2	8·7
United Kingdom	7·1	9·9
United States of America...	3·5	3·7
France	3·0	3·3

Owing to the abnormal situation in recent years, the trend indicated in the foregoing tables may not be permanent. The remarks made in this respect regarding exports from the United Kingdom to Bulgaria* also apply in the case of S.H.S., whose geographical position favours Central Europe as a source of supply for classes of goods which, although manufactured in this country, have not previously been exported from the United Kingdom to that market.

In 1923, cotton goods were chiefly imported from Italy, Czechoslovakia and Austria ; iron goods from Austria and Czechoslovakia ; woollen goods from Italy, Czechoslovakia and the United Kingdom ; machinery from Austria, Germany and Czechoslovakia ; and coal from the United Kingdom, Czechoslovakia and France.

* *See* p. 205.

BULGARIA.

	1900	1910	1920
Population (Census) ...	3,744,283	4,337,513	4,861,439

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Bulgaria	504	472	1,332
U.K. re-exports to Bulgaria ...	79	30	12
U.K. imports from Bulgaria ...	279	41	42

Bulgarian Trade Returns. General Trade. (Including Bullion and Specie.)	1904. (1,000 leva.)	1913. (1,000 leva.)	1923. (1,000 leva.)
Total imports	129,690	189,298	5,120,660
Imports from United Kingdom ...	18,849	16,881	811,759
Percentage from United Kingdom	14·5%	8·9%	15·9%
Total exports	157,619	93,330	3,537,135
Exports to United Kingdom ...	24,728	7,950	27,888
Percentage to United Kingdom ...	15·7%	8·5%	0·8%

Currency.—The unit of currency is the lev. The par rate of exchange is leva 25·22 = £1. The annual average rates of exchange during the past four years have been as follows :—

1921	426	1923	574
1922	662	1924	608

1. GENERAL.

Bulgaria was probably the first of the defeated nations to bring order into her trade and industry. This was reflected in the relatively high value of the lev then and during following years, in comparison with the currencies of other defeated countries.

But the finance and commerce of the country are inextricably mingled with politics. At the beginning of 1923 the economic situation was more promising than at any time since 1918, but the improvement was destroyed by internal troubles, culminating in the coup d'état of June, 1923, which resulted in the overthrow of the Agrarian Government, and subsequently in revolutionary enterprises on the part of the fallen party.

1(a) Effects of Territorial Changes.—Under the Treaty of Neuilly, Bulgarian territory has been reduced, Western Thrace, including the rich tobacco-growing districts of Xanthi and Gumuljina having been ceded to Greece, while the Upper Struma Valley and the Czaribrod district are now included within the frontiers of the Serb-Croat-Slovene Kingdom. These changes have, of

course, their economic effects: considerable importance, for example, is attached to the loss of the seaboard and port on the Ægean. Bulgaria has also been detached from the grain-producing area of the Dobrudja which she held prior to 1912, but much grain and tobacco-producing land, incorporated with Bulgaria since the conclusion of the Balkan War in 1912, is still within her borders.

The territorial adjustments referred to above, and the conditions prevailing during the Balkan Wars of 1912-13, render it impossible to make any precise comparison with pre-war years.

2. FINANCIAL.

2(a) Financial Burdens and Capital Resources.—Bulgaria emerged from the war less impaired as to productive capacity than certain of the Central Powers, but with a very heavy war debt. The National Debt on the 31st December, 1923, was as follows:—

**External.*—779,045,307 francs, 574,967,047 gold francs, 97,500,000 marks.

Internal—4,480,362,826 leva.

The capital resources of Bulgaria in liquid assets are extremely limited. The natural resources (potential capital) are, however, considerable, and are capable of exploitation. For this purpose, foreign capital, which is not readily forthcoming, is required. Of the seven banks of any importance in the country, four are controlled by foreign capital (other than British). In the following table are given the latest figures available, compiled during the first six months of 1923, of foreign capital engaged in Bulgarian limited companies, which number approximately 500, with a total capital of nearly 1,100,000,000 leva.:—

	Leva.
French	51,000,000
Franco-Austrian, Franco-Belgian, Franco-Hungarian	111,000,000
Italian	41,000,000
German	27,200,000
Belgian	19,500,000
Czechoslovakian	15,000,000
Hungarian	10,300,000
British	4,300,000

This represents one quarter of the total capital invested.

The fiduciary circulation amounted to 4,138,984,000 leva at the end of 1923, an increase of 252,094,000 leva over 1922. In spite of this, monetary stringency has been acute. The peasants are

* Including payments to be made in respect of reparation indemnity due to the Allied and Associated Powers, who have agreed to a reduction to 550 million gold francs, instead of 2,250 millions, over a period of 60 years instead of 37.

understood to have hoarded large amounts of paper currency, which is, therefore, out of circulation for all practical purposes. The amount of money placed on deposit with the banks shows a marked diminution. There is, consequently, a shortage of credit, and all efforts to raise an internal loan have met with failure.

Although the rate of interest is fixed by law at a maximum of 12 per cent., private banks charge, by indirect means, from 18 per cent. to 35 per cent. Even at these exorbitant rates, credit has been insufficient for the requirements of commerce. The budget is approximative, and there is likely to be a deficit.

2(b) Credit Conditions.—Normally, Bulgarian credit stands fairly high, but is prejudiced by existing conditions.

3. ECONOMIC DEVELOPMENT.

3(a) Agriculture, etc.—Bulgaria is essentially an agricultural country; recovery, therefore, is more rapid than in an industrialised nation. The area sown has in recent years generally been below the pre-war level, but in 1923 the harvest of most cereals was either at or above the pre-war level, both as regards total yield and yield per hectare. The 1923 production of the leading cereals was as follows (in metric tons): wheat, 986,000; maize, 682,000; barley, 241,000; rye, 174,000; oats, 133,000. It appears from preliminary figures for 1924 that although the area sown was higher than in 1923, the total yield was substantially lower, owing chiefly to unfavourable weather. This necessitated the importation of a considerable quantity of corn from Jugoslavia. The methods employed in cultivation are primitive, and scientific treatment would largely increase production. Notwithstanding the loss of the Xanthi area, which produced the finest tobacco, the cultivation of the tobacco plant has been increased during recent years and provides a valuable article of export; while the cultivation of other plants, particularly roses, has diminished. The peasants have been encouraged to produce tobacco, the export of which expanded during and since the war, so that a large and increasingly important industry has grown up. The larger banks and numerous firms are engaged in this trade with advantage. There has, however, been a tendency to over-production, and the immediate prospect of marketing the whole of the present crop and large accumulated stocks is not promising. The United States of America, Germany and Italy are large purchasers, while tobacco is being sent to Czechoslovakia in return for railway rolling stock and locomotives.

Hitherto sugar beet has not been grown in sufficient quantities to meet the demands of the local sugar factories, but improvement is being effected, and it is thought that the present crop will meet local demands without resorting to importation.

Vine-growing has decreased. This is due, in some measure, to a disproportionate increase of vine planting in 1921, and to the fact that Bulgarian wine is unsuitable for export.

The timber industry, which is not fully or scientifically developed, is capable of considerable expansion. The forest lands cover 2,830,000 hectares and are a valuable asset. Export, notwithstanding, is prohibited and timber is imported from Roumania. Wood fuel is largely used.

The egg industry is declining, owing to a variety of causes, including the export of live poultry, the heavy export dues on eggs and increasing home consumption.

The rose oil industry was formerly a source of wealth, and is still successfully operated on a smaller scale.

The live stock trade is increasing, but the standard of quality is not high.

Measures have been adopted to place the fishing industry on a scientific basis, and a fishing school has been instituted at Varna.

The pre-war standard in silk-worm culture has almost been reached, after a severe decline; the more productive area is not now included in Bulgarian territory. This industry is likely to be subject to fluctuation.

3(b) Mining.—The mineral resources remain largely unexploited, the only important mineral of which an appreciable quantity is at present produced being coal. The output amounted during 1923 to 1,063,662 metric tons, the total production of the previous two years being (1921) 911,664 tons, (1922) 1,021,327 tons. The coal resources of Bulgaria are believed to be considerable, and include both anthracitic and bituminous coal, together with large areas of lignite. The number of mines has largely increased during recent years and the output has been more than doubled within the last decade. The most important mine is the State mine of Pernik, which produced a yearly average, during the war period, of nearly 600,000 tons, and 914,004 tons in 1923. Coal is, however, imported for the State railways, the sugar refineries, cement factories, etc.

Other minerals produced are copper and lead, of which 24,473 and 3,022 tons respectively were produced in 1922. Iron ore resources seem to be of small extent, so that the possibility of a successful iron industry appears to be remote. Manganese ores are of greater relative importance, and have been worked intermittently. There is no systematic mining for gold in Bulgaria, but alluvial gold has been found in the past. Iron pyrites has been recorded as occurring in quantity in several districts, but has not been worked.

A concession for the exploitation of oil shales, whose potential value is said to be important, has been acquired by a British syndicate, but only exploratory work has been carried out up to the present.

The production of salt amounted to 20,000 tons in 1922.

There is a considerable cement industry, the works at Batenovsi producing 40,000 tons annually.

The spirit of the mining laws is generous.

3(c) Water Power.—Schemes for the utilisation of water-power, a considerable potential source of electrical energy, have been projected, but no progress has been made owing to lack of money.

3(d) Railways and Roads.—Railways, which are State-owned, are operated efficiently, on the whole, and, while in need of reconstruction and extension, are as good as any in the Near East. The rehabilitation of the railways has been under consideration for some years, but lack of funds has rendered repairs impossible The railways are not fully adequate for the needs of the country, inasmuch as they do not serve a very large area of cultivation or commerce. The system did not suffer in the war as did the systems of neighbouring countries. The length of the railway system is: normal gauge, 2,277 km., or 84·3 per cent.; 60 cm. gauge, 355 km., or 13·4 per cent.; 76 cm gauge, 51 km., or 1·9 per cent. Total, 2,683 km. There are 938 km. of normal gauge, and 336 km. of narrow gauge permanent way under construction at the present time.

Bulgarian roads are in disrepair and, judged by Western standards, are bad.

4. INDUSTRIAL POLICY.

Bulgaria is a non-industrial country, being, as already stated, essentially agricultural. There are several sugar factories controlled by Belgian capital, and a few flour mills also established by foreign enterprise. In 1923 the following industrial enterprises were in operation, all on a small scale: 30 textile mills, 9 leather factories, 11 machinery and metal workshops, 26 chemical factories, 23 potteries and cement works, 5 paper-making factories, 5 breweries, 17 distilleries, 13 tobacco factories, 11 building-construction yards, 6 electric factories, 8 furniture factories, 12 boot and clothing factories, 18 printing shops, 11 provision factories.

Measures are now being adopted for the encouragement and extension of industrial enterprises, and loans are now being given by the National Bank for the purpose.

The effect of Bulgarian industries on British trade is negligible. They offer no serious or immediate competition, except in so far as the extension of mining enterprise may fulfil local needs for coal and provide an exportable surplus, which would diminish the import of foreign coal.

The textile mills at Varna and Yamboli have, however, increased their output of cotton goods and compete in some measure with imported goods; and there is an increasing desire in the country to extend local industries with the assistance of foreign capital.

5. EXTERNAL TRADE DEVELOPMENT.

Owing to State control and the high prices demanded by Bulgarian dealers, and to other causes, large quantities of cereals, flour and tobacco have remained unsold in the country and exports have diminished. Bulgaria had an adverse trade balance from 1908 to 1921, with the exception of the abnormal years 1915, 1916 and 1917, when imports were reduced owing to war conditions and Germany drained the country of all raw materials which figure as exports. In 1921 the trade balance was against Bulgaria to the extent of over 700,000,000 leva, the value of the exports being only 76 per cent. of that of imports. In 1922 there was an improvement, as a result of the abolition of the State grain-exporting monopoly at the instance of the Inter-Allied Commission, and the measures taken to restrict imports of luxury and non-essential articles, and there was an excess of exports over imports. Imports comprised (in order) textiles, metals and metal manufactures, machinery, hides and skins, dyes, paints, etc., mineral oils, glues, etc., oils, wax, etc., colonial produce, chemical products. Exports consisted of cereals and livestock (to Turkey), tobacco (Germany and Italy), raw silk (Italy). Exports to Great Britain are insignificant.

Comparative figures for imports and exports for 1922 and 1923 are :—

1922		1923	
Imports.	Exports.	Imports.	Exports.
leva	leva	leva	leva
4,037,662,000	4,329,718,000	5,120,660,000	3,537,135,000

The year 1923 began well, but exports fell to a low level during May-September, rising again until, in December, they exceeded imports by 45,000,000 leva; for the whole year their value was about two-thirds that of imports. The import of textiles from Great Britain has, however, been active. In the first nine months of 1924 imports totalled 4,086 million leva, while exports were valued at 3,180 million leva.

As already stated, Bulgaria's capacity to export is capable of considerable expansion. Consideration is being given to the establishment of a system of grain elevators, and, if this is carried out, exports of grain could be largely increased and production stimulated. Hitherto Bulgarian grain has not been properly graded and sorted.

Markets are required, however, to absorb greater quantities of her tobacco production, if the present activity in that industry is to be economically maintained.

6. COMMERCIAL POLICY.

The granting of a monopoly of the grain export trade to a State-controlled consortium restricted exports and diminished production without achieving the professed object of the control.

Upon its abolition, at the instance of the Inter-Allied Commission, a form of governmental control was maintained, which had the same effect in restricting economic growth. The prohibition of the export of timber has seriously affected the timber industry, while constantly varying export and import restrictions in various forms have interfered in greater or less degree with the normal flow of trade.

All transactions in foreign exchange are centralised and controlled by the National Bank. This control operates as an additional tax on exports. Banks are extensively hampered in conducting business. People have been deterred from enterprise on a scale of any magnitude by the financial situation. The depreciated purchasing power of the leva has so reduced the value of the paid-up capital of the banks and industrial concerns as to render them unable to finance commercial and industrial enterprises without foreign assistance. Foreign firms have experienced difficulty in securing payment where credit terms were given; and, although commercial morality as a whole stands high in Bulgaria, and local traders have the reputation of being trustworthy and honest, the economic conditions now prevailing have had a detrimental effect in this respect. Whereas protested bills and dishonoured cheques were practically unknown in Bulgaria in the past, this is not so now. This unsatisfactory experience has influenced foreign exporters, and outstanding debts have naturally limited the ability to import.

The restrictions imposed on imports by the tariff regulations introduced in January, 1924, militate against the resumption of normal trade.

7. COMPETITIVE SITUATION.

There is an increasing demand for goods of British manufacture, chiefly textiles. In 1922 Great Britain rose from third to second place in the list of countries of origin, and, in respect of the total import trade of the country, achieved an increase of 35 per cent. in value on the preceding year. Italian products showed a marked decline; so did those of the United States of America and France in the same period. Germany, however, rose to first place. British cotton goods seem to be regaining the position which they lost to Italy during post-war years, and, on the whole, British goods are holding the position which they attained before the war in the Bulgarian market.

Germany and Austria were predominant on the Bulgarian market until recently. In late years these countries have had a certain advantage owing to the low rate of the mark and crown. Italy has become a serious competitor in textile goods, and Czechoslovakia is also a formidable commercial rival, having inherited the place formerly occupied by Austria, of which formerly she was, of course, a part.

The following table shows the percentage of total imports in 1923 from the principal countries of origin :—

	Per cent.
Germany	19·8
Great Britain	15·9
Italy	16·5
Austria	8·3
Roumania	6·7
Turkey	3·9
France	9·7
Hungary	2·1
Czechoslovakia	3·2
Belgium	4·8
Greece	2·3
Jugoslavia	1·8
United States	1·8
Other countries	3·3

The following indicates the principal imports from the countries of origin mentioned, during January-June, 1924 :—

Germany.

Textiles.
Metals and products of the metal industry.
Machines, instruments and apparatus.
Materials for medical use and medicaments.
Chemical products.
Tanning and dyeing materials, colours and varnishes.
Stoneware, earthenware, glass.

Great Britain.

Colonial goods.
Fuel.
Oils and greases.
Textiles.
Metals and products of the metal industry.
Chemical products.

Italy.

Colonial goods.
Textile goods.
Vehicles.
Machinery, instruments and apparatus.

Austria.

Chemical products.
Metals and products of the metal industry.
Materials and products of paper.
Textiles.
Machines, instruments and apparatus.

Roumania.
Resins, mineral oils, etc.
Raw materials and products of timber industry.

Turkey.
Colonial goods.
Textile materials, and products.
Alimentary animal products.
Oils, fats, etc.

France.
Textiles.
Hides and skins and manufactures thereof.
Oils and greases.

Hungary.
Metals and products of the metal industry.
Machines, instruments and apparatus.
Vehicles.

Czechoslovakia.
Textiles.
Earthenware, stoneware and glass.
Metals and products of the metal industry.

Belgium.
Metals and products of the metal industry.
Textiles.

Greece.
Preserves and confectionery
Oils, fats, etc.

United States of America.
Colonial goods.
Resins, mineral oils, etc.
Machinery, instruments and apparatus.

The imports of woollen textiles prior to the war came chiefly from Germany and Austria-Hungary, who contributed about 45 per cent. each. Imports of British goods (these were the superior qualities) were about 8 per cent

The United Kingdom was the only supplier of cotton yarns until Italy and Austria became serious rivals.

Copper sulphate, which in past years had been obtained from Great Britain, was obtained from Italy in 1921, and is now being obtained from Germany. Agricultural machinery has been supplied from Czechoslovakia and Germany.

In post-war years conditions have been abnormal and, while they indicate what may become the fixed practice, cannot be said to be permanent.

In regard to shipping, the volume of trade to and from Bulgaria carried in British and Italian bottoms shows a marked increase in the latter at the expense of the former. Italian

steamship companies have secured the bulk of the Mediterranean-Black Sea and much of the North Europe-Black Sea trade. Italian ships have established regular sailings and cheaper freights and call for export cargoes from Bulgarian ports even when little may be forthcoming. There has been a marked increase in the number of German ships calling at Bulgarian ports. In 1922 a considerable amount of cargo from Germany to Black Sea ports was carried in British, French, and Dutch steamers. This trade is now almost entirely carried by German lines, which also secure a large quantity of exports from Varna to Hamburg.

GREECE.

	1907	1920
Population	2,631,952	5,536,375*

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Greece	1,478	2,537	3,823
U.K. re-exports to Greece	82	59	132
U.K. imports from Greece	1,317	2,202	4,697

Greek Trade Returns. Special Trade.	1904. (1,000 Drachmae.)	1913. (1,000 Drachmae.)	1923. (1,000 Drachmae.)
Total imports...	137,016	177,933	6,035,346
Imports from United Kingdom ...	29,832	42,502	862,601
Percentage from United Kingdom	21·8%	23·9%	14·3%
Total exports...	90,570	119,001	2,545,110
Exports to United Kingdom ...	21,059	28,456	703,316
Percentage to United Kingdom...	23·3%	23·9%	27·6%

* Including Crete and "New Greece."

Currency.—The unit of currency is the drachma. The par rate of exchange is dr.25·22=£1. The annual average rates of exchange during the past five years have been as follows :—

1920	34·018	1922	163·258
1821	68·985	1923	295·052
		1924	247·647

1. GENERAL.

Up to the outbreak of the Balkan war of 1913, the speculative ability inherent in the Greek character and their zest for maritime trading had made Greece a factor of considerable importance in the trade of the Levant. Throughout the Ottoman Dominions the whole of the artisan and shopkeeper class were of the Greek race, connected by ties of relationship and sentiment with those in the islands and the mainland of Greece. To some extent her finances had been placed on an orderly basis by the institution of an International Financial Commission, to whom all the Government assets of any value were mortgaged.

1(a) Effects of Territorial Changes.—Ten years of war completely changed the picture. Greece secured a large amount of new territory and a great influx of poor refugees, which placed the country in a difficult position economically. It is possible that certain of these refugees may import new vitality into the economic life of the country by starting new industries, but it must also be remembered that the effect of the growth of the nationalist spirit in Turkey and the expulsion of Greeks from that country destroyed the goodwill of the Greek nation, considered as a trading community, and speculation during the boom of 1919-20 further enhanced these difficulties.

It remains to be seen whether the new refugees will prove an economic asset of sufficient importance to offset the loss of the distributing organisation which the Greeks in other parts of the Mediterranean have suffered.

2. FINANCIAL.

As stated above, the Greek Government started under the heavy handicap of having already to provide for the service of loans under the control of the International Financial Commission. It cannot be said, however, that the measures enacted in the years following the war tended to promote general confidence.

At the present moment a further all round increase in the tariff is under consideration; and in the recent past two measures called for special attention, the first a forced loan and the second the doubling of the income tax. The forced loan consisted in the cutting in half by the Government of the notes in circulation, the withdrawn halves being replaced by bonds bearing interest at 6½ per cent. The increase in income tax comprised the doubling of the existing schedule of the compound tax, which was reduced in 1919. This is a tax upon the total revenue distinct from and additional to the simple tax, which varies according to the source of income of the taxpayer, *e.g.*, 12 per cent. in income from houses, 10 per cent. from land, 8 per cent. from shares, 6 per cent. for business and agricultural incomes, 4 per cent. for wages and professional emoluments. In calculating the compound tax, the amount of the simple tax is deducted

from the gross income, which is, of course, also subject to the other usual deductions for industrialists, partnerships and private companies.

The Bank of England, on the suggestion of the League of Nations, granted two successive loans of one million sterling, to be used for the purpose of settling refugees in Greece.

In November, 1924, a further loan of £7,500,000 at 7 per cent. was issued on the London market in sterling bonds at 88 per cent. This loan, which was made under the auspices of the League of Nations, was to be devoted primarily to the settlement of Greek refugees in productive work. The fact, therefore, that it was heavily over-subscribed must be attributed in part to the investors' desire for a resettlement of yet another potential market, rather than solely to blind confidence in the existing economic condition of Greece. It is secured upon certain revenues controlled by the International Financial Commission, and upon the land assigned for resettlement.

3. INTERNAL DEVELOPMENT.

The depreciation of the drachma naturally tempted financial speculators to engage upon the examination of various schemes of public utility which might prove remunerative if the value of the currency improved. As a rule they tended to ignore the possibility of governmental intervention, and of the currency depreciating in relation to sterling, with the result that their company would be involved in paying their profits in sterling out of earnings taken in depreciated drachmae. These drawbacks held up the development of the new provinces, and the only general exceptions to the absence of enterprise are a scheme for re-draining the marshes near Salonica and the building of a harbour at Candia in Crete, on both of which work is proceeding.

4. INDUSTRIAL POLICY.

It is sufficient to say here that Greece has always adopted a protectionist policy towards her small industries, which are insufficient to supply the needs of the country, and have no practical effect upon the volume of imports from Great Britain. Most of the factories are quite small and cover widely different trades. Perhaps the most important individual industry is the tobacco trade.

Here again the influx of refugees and the institution of properly financed administrative machinery to support them in industry may, and, in the opinion of many competent observers, will, completely alter the picture, and make Greece a productive centre for the whole of the Levant.

5. EXTERNAL TRADE DEVELOPMENT.

It is from the growth of exports that the real return of Greece to prosperity must arise. It is a truism to say that

Greece lives by the export of currants, but it is always possible that this industry may be the subject of Government interference. Trade in staple commodities such as currants or emery depends for success very largely upon a scrupulous adherence to the quality of the goods offered, and complaints have sometimes been made that the grades of these commodities are no longer maintained up to previous standards. In the case of emery, it has led to an increased manufacture of an artificial product, which is driving the natural product off the market.

As the exports from Greece are nearly all natural products, and principally consist of such things as currants, tobacco and wine, such variations as exist are chiefly the result of natural causes.

It must be admitted that, outwardly, there are considerable signs of prosperity and trade revival to be observed in Greek ports, especially at Piræus. One view of this phenomenon is that it is a symptom of a genuine desire to restart trade after a decade of war, but another school contends that it is, at least in part, the transient effect of the various difficulties which beset shipping companies who would otherwise use the port of Constantinople It is too early at present to say whether this activity will continue.

6. COMMERCIAL POLICY.

Apart from the protectionist tendency mentioned above, it is difficult to say that the Greek Government has any definite commercial policy. The Government under the Constantinian régime maintained the " consortium of banks " system, which had been introduced with the object of limiting the purchase of foreign exchange and directing it into the channels of the greatest economic utility. The more vexatious of the regulations under this system have now been removed, but the effect of constantly turning on and off the tap of foreign exchange available for purchase has been to dislocate the import trade.

7. COMPETITIVE SITUATION.

The keenest competition which Great Britain has to fear in Greece is at present in Italian and Central European goods, shipped either from Italy or from the northern Adriatic ports. Such competition is principally in fine chemicals, hardware and fancy goods, and up to the present has not seriously affected the trade in staple articles such as piece goods. In general it is too early yet to say whether or not our trade is being interfered with seriously by foreign competition, since political factors affecting trade as a whole have been entirely predominant. There are indications that, as Greece is still feeling the effects of war, the cheapness of the article bought and leniency in terms of payment are the factors which determine the sale of goods.

The following table shows the competitive position with regard to specific articles.

Article.	Principal sources of supply in 1922 and 1923.
Fats and tallow candles ...	U.S.A.
Mineral oils	U.S.A., Roumania.
Quinine	Italy and Germany.
Dry paints	Germany and Austria.
Chemicals	Germany, Austria, France, Belgium and United Kingdom.
Paper	Holland, Germany and Italy.
Perfumery	France.
Sugar confectionery	Germany, Austria, France and United Kingdom.
Hats	Italy.
Codfish	France, Canada and United Kingdom.
Sewing machines	Germany, U.S.A. and United Kingdom.
Motor cars	U.S.A.
Leather	U.S.A., Germany, France, Italy and United Kingdom.
Textiles	Predominantly United Kingdom. Italian competition in some classes.
Metals	Belgium, Austria, Germany, Italy and United Kingdom.

The reason which is naturally given for the success of foreign competitors in Greece is that they are willing to give credit. This is not the result of the war; they always did it; and though its advantages are frequently emphasised, its drawbacks are often overlooked. This system of extended credit had the drawback that it encouraged persons of limited means to place orders in excess of their needs and normal turnover, and had a baneful effect on the market by congesting it with merchandise for which there was no demand: this is what occurred after the war. Whatever may be the case in normal times, recent experience goes to show that no case has been made out for giving credit at present, as the only result has been to encourage overtrading.

GROUP 5.—NORTH AFRICA.

MOROCCO.

Population ... ... 5,500,000 (approx.)

British Trade Returns. (Merchandise only.)	1904. (£1,000.)	1913. (£1,000.)	1923. (£1.000.)
U.K. exports to Morocco	675	1,277	1,705
U.K. re-exports to Morocco ...	256	265	63
U.K. imports from Morocco ...	518	408	462

Morocco Trade Returns. (General Trade.)	1913. 1,000 Francs.	1922. 1,000 Francs.
Total imports	231,217	966,990
Imports from U.K. and Gibraltar ...	44,412	144,687
Percentage from U.K. and Gibraltar	19·2%	15·0%
Total Exports	46,465	256,263
Exports to U.K. and Gibraltar	6,563	32,160
Percentage to U.K. and Gibraltar ...	14·1%	12·5%

Currency.—*French Zone.*—The unit is the Morocco franc, issued by the State Bank of Morocco. French and Algerian notes also circulate to some extent.

Spanish Zone.—Spanish currency is generally used, but Hassani (Moorish) currency still survives in internal trade.

Tangier Zone.—Moorish, Moroccan, French and Spanish currency are all used.

1. GENERAL.

Until the establishment of the French Protectorate in 1912, Morocco was an independent Moslem nation. Some parts of the country, more especially the eastern provinces, were in an almost incessant state of anarchy. During the last few years of Morocco's independence, the Customs dues and agricultural taxes were inadequate to meet current expenditure without recourse to loans from foreign banks. Yet in spite of these disadvantages the trade of Morocco increased and, from the year 1900, wider attention began to be bestowed upon a country which, situated within sight of European shores, had been left in a state of barbarism for so many centuries.

In 1907 the French landed at Casablanca and, after a series of military campaigns extending over a period of about five years, succeeded in pacifying the greater part of the country, which was subsequently known as the French Protectorate.

During 1912 negotiations between France and Spain concerning their respective spheres of influence resulted in a treaty defining the boundaries of each of their zones. It was also agreed that Tangier and the adjacent district of some 140 square miles should become a distinct zone, with a separate administration to be determined later.

In this manner the year 1912 witnessed the birth of the French Protectorate, and the division of the whole country into three zones, namely :—

(1) The French Protectorate.
(2) The Spanish Protectorate.
(3) The Tangier Zone.

1(a) Effect of Territorial Changes.—The entry of the French marked the economic awakening of the French sphere of influence; and, since 1912, there has been a constant endeavour to accelerate the civilisation of a country which until then had lived in a purely primitive state. No railways, roads, ports, inland telegraphs, etc., had hitherto existed; but, since the inauguration of the Protectorate, several hundred million francs have been spent in works of public utility.

The Spanish and Tangier zones did not progress to the same extent. Tangier, owing to its restricted natural resources and the uncertainty of its future status (now settled), remained more or less in its original state.

The expansion of the total trade of the three zones has been remarkable, but notably in the French Protectorate.

In pre-war values, trade in 1923 was three and a half times that of 1907.

2. FINANCIAL.

2(a) General Financial Position.—When France undertook the administration of her new acquisition, the Shereefian Government was in debt to French banks to the extent of 164 million francs. This sum represented two loans contracted in 1904 and 1910, the service of these debts being a first charge on the customs revenue of the whole country. Since 1914 three loans amounting to 542 million francs have been issued, with the guarantee of the French Government, thereby increasing the Protectorate's liability to 706 million francs. About 500 millions have so far been expended in modernising this uncivilised country by the construction of railways, roads, ports, etc.

The French Zone has only managed to balance its budget by imposing additional taxation.

Spanish Zone.—There is no information as regards the revenue, expenditure or public debt of this unpacified region.

Tangier Zone.—Both the receipts and expenditure of the Tangier Zone have been administered up to now by the French Protectorate Authorities, and it is impossible to state whether the revenues of the zone as at present collected are sufficient to meet its liabilities.

2(b) Capital Resources.—Morocco's capital resources in the form of liquid assets are probably small, and certainly impossible to compute; but her natural resources, such as the rich phosphate beds discovered in 1912 and now exploited by the State, could, if necessary, be easily converted into liquid capital.

The wealth amassed by the European residents and immigrants during the early stages of the country's metamorphosis was for the most part invested in building land—a speculation which, after the boom of 1920, ruined many of the French and Algerian colonists.

Morocco's wealth lies in the development of agriculture and in the exploitation of her mineral resources, which, however, apart from phosphates, are probably much exaggerated.

2(c) Credit Conditions.—Credit facilities for sound business have never been lacking in Morocco; but there has been so much unsoundness during the last three years that credits have naturally been restricted in all directions, and many banks now refuse to advance money on land or real property. During the boom years it was easy to mortgage land, but when the fall in values occurred several banks were left with mortgages that they dared not realise. In some cases the banks had to write off debts due to them by from 25 to as much as 75 per cent., and even then the debtor was given several years in which to liquidate.

3. INTERNAL DEVELOPMENT.

The post-war press campaign somewhat exaggerated the potentialities of Morocco, with the result that the towns were invaded by numerous immigrants, who over-estimated the country's power to support a host of small commercial enterprises. During the slump in land values, when financial stringency forced the banks to restrict credit facilities, many of the smaller traders failed, and returned to their native land. The natives, however, continued their agricultural pursuits, unaffected by the plight that befel many of their European neighbours; they appear to have been the only section of the community who incurred no speculative loss.

3(a) Agriculture.—Agriculture, practically the sole industry of the natives, has been, and remains, the backbone of Morocco; and whatever be the state of economic health, this asset, subject to weather conditions only, offers its annual contribution to the country. This source of wealth has received particular attention and encouragement from the Protectorate Authorities,

who have improved the quality of the produce by establishing several State farms and gardens for general experimental purposes and instruction of the natives in modern agricultural methods.

3(b) Forests.—For centuries the forests of Morocco have been wantonly destroyed, but since the inauguration of a forestry service in the French Zone the area is already on the increase. The argan, thuya, cork, green oak, juniper, cedar and fir trees flourish abundantly, but only the cork and cedar are industrially exploited at present.

3(c) Livestock.—Progress in livestock breeding has been well maintained; and the strains of cattle have been much improved by the introduction from abroad of pedigree animals for stud purposes.

3(d) Minerals.—The valuable phosphate fields lying between El-Boroudj and Oued Zem, some 70 miles south-east of Casablanca, are now being exploited by the Moroccan Mines Department. The output of these deposits rose from nil in 1920 to 225,000 tons in 1923, and it is estimated that before another three years the annual yield will exceed a million tons.

The other mineral deposits so far located consist chiefly of iron-ore, manganese, tin, lead and copper; but, although the Authorities of both zones have issued over 1,500 investigation permits, only four iron-ore and lead mines are actually being worked.

3(e) Water Power.—A concession has been granted to the Banque de Paris et des Pays Bas (acting in its own name and in that of 24 French banking, railway and other enterprises) for the construction and exploitation of two hydro-electric power stations on the Oum-er-Rebia river, with a view to supplying power to the railways (of which 635 kilometres will be electrified), public services and industries in the vicinity of the transmitting lines.

3(f) Railways.—Until about 1910 Morocco possessed no railway lines, but the military campaigns in the interior of the country necessitated a means of transport more efficient than caravans for the victualling of an army of occupation. Accordingly, the military authorities laid down some 1,300 kilometres of narrow gauge line, which were gradually thrown open to commercial traffic pending the construction of broad gauge railways. In 1923, a consortium of French railway companies completed, under the terms of a concession, the first section of a single track broad gauge line running from Rabat to Mequines. Within the next four or five years Morocco will be equipped with about 1,000 kilometres of normal gauge line, and the greater part of the existing narrow gauge lines will have been pulled up and relaid to tap the fertile districts on either side of the main lines.

Severe competition with the passenger traffic of the railways exists in the numerous motor charabancs, which are patronised both by tourists and the indigenous population.

3(g) Roads.—All the principal centres have been linked by macadamized roads, which extend over a length of 3,000 kilometres, and provision has been made to asphalt some 400 kilometres of main roads in or near the towns.

4. INDUSTRIAL POLICY.

It has been the aim of the Protectorate Authorities to encourage industrial enterprises, with a view to rendering Morocco as independent as possible of all foodstuffs of primary necessity. This object has been partially attained, inasmuch as there exists a host of Italian paste, biscuit, aerated water and fish-canning factories, flour and oil mills, distilleries, etc. Other important industries are: saw mills, carriage and furniture works, brick kilns, a tallow and soap factory, tanneries, and a factory for the manufacture of superphosphates. Altogether there are some 500 industrial concerns under European management in the French zone, employing 6,500 hands, and representing nearly 240 million francs capital. None of the products of these concerns, however, appears to compete successfully with British imports of similar kinds of goods.

The native crafts and industries are of a primitive nature, and consist of weaving native cloth and carpets, making slippers and saddles, pottery, oil, soap, etc.

There are no industries worthy of mention in the Spanish and Tangier zones.

5. COMMERCIAL POLICY.

British trade is entitled in Morocco to equal treatment with that of all other countries, including the protecting countries. This right is enjoyed by virtue of treaties which continue in force indefinitely, as well as of the Anglo-French Declaration of 1904

6. EXTERNAL TRADE.

Exports from the three zones in 1913 and 1922 were as follows :—

Exports.	1913.	1922.
	Million francs.	
France and Algeria (by sea)	13·5	98·9
Algeria (by land)	9·3	30·4
Germany	8·7	2·0
United Kingdom and Gibraltar	6·6	32·2
Spain	6·2	74·4
All Countries	46·5	256·3

For many years, up to 1912, the United Kingdom held the premier position in Morocco's import trade. In 1913, however, a marked change took place.

Imports.	1912.	1913.	1922.
	Million francs.		
United Kingdom and Gibraltar ...	50·7	44·4	144·7
France and Algeria	50·0	97·7	414·7
Algeria (by land)	18·2	31·6	160·1
Germany	13·2	18·2	10·2
Spain	5·3	9·0	122·9
All Countries	152·5	231·2	967·0

The depreciated value of French currency, the comparatively high cost of British manufactures, and low freight rates charged by continental steamship lines, are the chief causes which prevent Great Britain retaining the percentage of the import trade she enjoyed in Morocco prior to the War. An appreciable gain in imports would nevertheless be apparent if there were a frequent and regular line of steamers between Moroccan and United Kingdom ports charging rates that would compare favourably with those of foreign shipping lines. The large increase in imports from Spain is apparently due to supplies for the Army.

Great Britain has relatively lost ground as compared with the following countries in the articles mentioned below :—

To France.—In almost every article other than cotton goods and coal.

To Belgium.—Glassware, motor cars, iron bars, cement, machines (steam driven, and other), machine tools, matches, nails and screws, rails.

To United States of America.—Motor cars and agricultural machinery.

To Holland.—Woollen goods.

To Italy.—Motor vehicles, matches and candles

To Sweden.—Nails, screws and pine deals.

The most important class of manufactured goods imported is cotton goods, the value being considerably greater than that of any other class. The consumption of cotton goods is, indeed, one of the gauges of the prosperity of Morocco. Total figures have fallen since 1921, but the United Kingdom, despite determined onslaughts, appears well able to maintain her overwhelming superiority in white cloths. Her advantage, however, is especially with the natives, and little of the cotton goods purchased by Europeans in Morocco comes from the United Kingdom. A mission of French and Alsatian manufacturers went to study

conditions in Morocco in 1923 and took back with them several expert Moors to advise them while experimental cloths were being produced in the French factories. Despite the great hopes based on these efforts, it is not expected that they will bear much fruit. Schreinered sateens of Italian origin and a calendered variety of Alsatian manufacture are on the market and are underselling British sateens. There is a danger that the trade in these goods, which was a few years ago almost wholly in British hands, will go entirely to France and Italy unless efforts are made to rescue it. Piece goods from the Vosges have gained steadily at the expense of British goods in the Tangier market.

ALGERIA AND TUNISIA.

Population (1921) (census) ... Algeria 5,806,090
,, ,, (census) ... Tunisia 2,093,939

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
United Kingdom exports to Algeria ...	458	1,341	2,117
United Kingdom re-exports to Algeria ...	3	7	21
United Kingdom imports from Algeria ...	667	1,312	2,166
United Kingdom exports to Tunisia ...	345	476	513
United Kingdom re-exports to Tunisia ...	7	19	44
United Kingdom imports from Tunisia ...	368	862	1,085

Algerian Trade Returns. Special Trade.	1913. (1,000 francs.)	1923. (1,000 francs.)
Total imports	667,305	2,545,260
Imports from United Kingdom	20,647*	80,027*
Percentage from United Kingdom ...	3·1%	3·1%
Total exports	501,169	1,815,612
Exports to United Kingdom	24,037	107,742
Percentage to United Kingdom	4·8%	5·9%

Tunisian Trade Returns.	1913. (1,000 francs.)	1923. (1,000 francs.)
Total imports	144,255	817,459
Imports from United Kingdom	14,399	37,673
Percentage from United Kingdom ...	10·0%	4·6%
Total exports	178,664	554,014
Exports to United Kingdom	15,589	51,618
Percentage to United Kingdom	8·8%	9·3%

* Excludes a large quantity of bunker coal.

Currency.—In Algeria the French currency is used. In Tunisia the currency consists of pieces similar to the French. French money circulates to some extent.

1. BRITISH TRADE LIMITATIONS.

In considering these countries as markets for British manufactures, it should be borne in mind that Algeria is a French country, and that the highly protectionist policy adopted has so far proved an effective barrier to the import trade of France's competitors except in coal for local consumption and bunkering, which does not compete with French products. French goods in general are admitted duty free, and therefore have a substantial advantage over British goods in addition to that resulting from geographical proximity.

Tunisia, a French Protectorate, has proved a better market for British wares, owing to the comparatively low customs duties levied in that Regency; but there is every prospect that in the near future the unification of the customs tariffs of France, Algeria and Tunisia will be an accomplished fact, and this will kill more than three-fourths of our export trade to that region in goods other than coal.

2. GENERAL AND FINANCIAL.

From 1900-14 the Algerian budget showed an excess of receipts over expenditure; but the war caused a severe strain upon her man power and finances, and, although no big loan was floated, her financial difficulties were tided over by a series of short term loans made by the Banque d'Algerie. In September, 1922, the country's debt amounted to 110,000,000 francs, the annual charge on which was some 7,800,000 francs. In July, 1921, the French Chamber authorised the issue of a loan of 1,600,000,000 francs to be raised in instalments, for the carrying out of a programme of public works to be spread over a number of years.

Tunisia's debt before the French occupation amounted to 169,000,000 francs, and by the Convention of 1883, confirming the French protectorate, the French Government guaranteed the country's debt. In order to place Tunisia on an economic footing and to defray the expense of constructing railways and roads, the Tunisian Government contracted between 1902 and 1912 three loans amounting to 205½ million francs. Finally, in order to complete the economic development of the Regency, a further loan of 255,000,000 francs was authorised by the French Government in August, 1920. At the end of 1921 the total Tunisian public debt amounted to 580,000,000 francs, with an annual charge of about 50½ million francs.

2(a) Capital Resources.—During the War both the French colonists and the natives attained a degree of prosperity which they had never known before, owing to the high prices they obtained for agricultural and viticultural produce, most of which was

shipped to France. Both colonies, however, experienced a series of poor harvests between 1920 and 1922, which, coupled with heavy speculation in textiles (especially in Tunisia) just before the Armistice, and a slump in the price of produce in the spring of 1920, made great inroads into the accumulated wealth of the population. In 1923 the situation improved, thanks to a good harvest, but in 1924 both Algeria and Tunisia had another setback, inasmuch as the cereal crops were poor in Algeria and partially destroyed in Tunisia by the heat wave in July. In addition to this, the vineyards in both countries have suffered considerable damage from the same cause. In these circumstances caution will have to be exercised in granting credit in these countries, where not less than three-fourths of the population are dependent, directly or indirectly, on the harvest. The situation is such that it is not possible to compute what capital resources in liquid assets are now available, apart from the fact that both the French and native farmers are addicted to hoarding specie. It is known, however, that the inhabitants of Algeria invested some 1,500 million francs in French war loans during the years 1915-21.

3. NATURAL RESOURCES.

3(a) Agriculture.—Algeria and Tunisia are essentially agricultural countries and are both economically dependent upon their crops, cereals and wine being the most important. The principal products are wheat, barley, oats, wine, olives, esparto grass, tobacco, dates, vegetables, etc.

3(b) Timber.—The forests of both countries are in part controlled by the State, and cover in all just over 10 million acres. The tree growths in order of importance are the cork oak, evergreen oak, and Aleppo pine; briar wood also abounds in Tunisia, where it is prepared for the manufacture of tobacco pipes.

3(c) Mining.—The mineral wealth of Algeria in iron-ore and of Tunisia in phosphates is considerable, the latter country producing nearly one-third of the world's supply of phosphates. Algeria's mineral production in 1922 was as follows :—

	Metric Tons.
Iron ore	1,018,725
Phosphates	449,277
Zinc Ore	50,185*
Lead Ore	78,876*
Coal	8,857
Iron pyrites	7,446
Copper (contents of Ore)	440
Petroleum	1,382

* In addition, 33,707 metric tons of mixed ore (zinc and lead).

The Tunisian mineral exports for the same year were :—

	Metric Tons.
Phosphates	1,958,000
Iron ore	497,000
Lead	18,935
Zinc	6,161

also small quantities of manganese, copper and lignite.

3(d) Railways and Roads.—*Algeria.*—There are six railway systems in the country, three of which are controlled by the State, and the total length of track is 3,967 kilometres. Autobus transportation is said to be increasing rapidly, in view of the inadequacy and slow development of railway facilities. In the summer of 1923 there were over 15,000 motor vehicles in use.

Tunisia.—All the railways are privately owned, the total length of track being 2,033 kilometres at the end of 1922.

Both countries are well provided with roads, the majority of which are suitable for vehicular traffic.

4. INDUSTRIAL SITUATION.

Algeria.—Lack of coal and oil fuel are the chief difficulties which prevent manufacturing on any extensive scale. There are, however, some 800 establishments engaged in producing various kinds of goods both for export and for local consumption. The principal industrial enterprises are cigarette making, wine production, oil refining, fish preserving, manufacture of superphosphates, etc.

Tunisia.—The chief industries are oil refining, soap making and fish preserving. Apart from the above, there exist the usual indigenous industries, such as carpet and native cloth weaving, pottery, leather goods, etc.

5. EXPORTS.

The principal exports of these countries are practically the whole mining output, cereals when good harvests allow of an export surplus, cigarettes and tobacco, wine, olive oil, fruit and vegetables, esparto grass, cork, sheep and cattle.

6. COMPETITIVE SITUATION.

Algeria.—Imports for consumption in Algeria come mainly from France. In 1923 the total imports for home consumption amounted to 2,545 million francs, of which 2,038 millions (or 80 per cent.) came from France, 90 millions (or 3·5 per cent.) from the U.S.A. and 80 millions (or 3·1 per cent.) from the United Kingdom.

Of the United Kingdom trade, 61 million francs represents coal, coke, and manufactured fuel. In addition to this, however, the United Kingdom provides practically the whole of the

coal for entrepôt trade and for bunkering which enters Algeria, its value being 95 million francs out of a total of 97 millions.

The value of the imports of cotton goods in 1923 was some 214 million francs, of which 211 million francs came from France and only 578,000 francs from Great Britain. Competition is experienced from the undermentioned countries in the following goods :—

France	All goods except coal.
Italy	Motor vehicles, chemical products, earthenware and glassware, cotton piece goods and yarns, machinery and paper.
United States of America	Agricultural machinery, hardware, motor vehicles and chemical products.
Belgium	Iron and steel goods, chemical products, machinery and motor vehicles.
Switzerland	Cotton piece goods.
Germany	Machinery, hardware and chemicals

Tunisia.—Total imports in 1923 were valued at 817 million francs, of which 518 millions (or 63 per cent.) came from France and only 37·7 millions (or 4·6 per cent.) from Great Britain. The bulk of the imports from Great Britain consisted of coal (17·6 million francs) and cotton goods (11·4 million francs). In other articles our trade was relatively insignificant. There was a marked falling-off in the British share of the import trade, the 1922 figures being 103 million francs (or 12 per cent. of the total). Imports of coal from this country in that year were valued at 38 million francs and cotton goods at 49 millions. Imports of cotton goods from France, which in 1922 were valued at 34·2 million francs, reached 43·4 millions in 1923. Italy also supplies considerable quantities of cotton goods.

Competition is experienced from the undermentioned countries in the following goods :—

France	All goods except coal.
Italy	Cotton piece goods and yarns, woollen manufactures, machinery, candles.
United States of America	Agricultural machinery, coal, metal ware and motor vehicles.
Switzerland	Machinery and cotton goods.
Belgium	Railway material, cotton goods, hardware.
Germany	Machinery and coal.

TRIPOLI AND CYRENAICA.

	1921
Population	800,000 (approx.)

British Trade Returns Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U K. exports to Tripoli	117	137	110
U.K. re-exports to Tripoli	12	35	16
U.K. imports from Tripoli	249	50	90

Currency.—The Italian lira is used

1. GENERAL.

Previous to the year 1912, Tripoli was under Turkish rule. This somewhat arid region was conquered by Italy in 1911, Italian Sovereignty being recognized in 1912 by Turkey, but not by the majority of the tribes. With the exception of the few coast ports and hinterland, the country is still unsettled. The native population of this region consists of some 700,000 Arabs and Berbers. The former are nomadic and pastoral, living in tents and having little wealth besides their flocks and herds, whereas the Berbers are sedentary and given to cultivation.

1(a) Effect of Territorial Changes.—Subsequent to the Italian annexation, the import trade grew enormously, due both to the maintenance of a large army of occupation and to the fact that many Italian immigrants spent a part of their capital in installing themselves in this land.

The export trade has, however, declined, owing to the disturbed conditions in the interior—a situation which has also affected in no small degree the caravan trade between Northern Nigeria and Libyan ports. In former days caravan traffic with Northern Nigeria and the French Sudan was of great importance, attaining between 1870 and 1880 an average annual value of £1,500,000; but the improvement of communications in Nigeria and in French Equatorial Africa has steadily tended to divert traffic from Libyan caravan routes.

2. FINANCIAL STABILITY AND BURDENS.

For the financial year 1924-25, the revenue and expenditure are both estimated at 269,000,000 lire. It is understood, however, that the budget can only be balanced by contributions from the Home Government, although new forms of taxation have been instituted since the new administration started to grapple with the financial problems of the country. The main sources of revenue are:—Customs and harbour dues, railway and monopoly receipts, etc. Military expenditure is about two-thirds of the whole.

2(a) Capital Resources.—The railways and harbours, tobacco and salt industries are owned and exploited by the Government, the few industrial enterprises of any importance being in the hands of the Italian banks.

3. INTERNAL DEVELOPMENT.

3(a) Agriculture and Fisheries.—The main resources of this region consist of a somewhat limited area suitable for agriculture, and valuable tunny and sponge fishing grounds. Military operations have not impeded the exploitation of the latter, but have adversely affected normal agricultural production.

3(b) Mining.—The only mineral of any commercial importance found in Tripoli and Cyrenaica is salt, which industry is a Government monopoly.

3(c) Railways and Roads.—Before the Italian occupation Libya possessed only a short section of railway line, at Bengasi, but no metalled roads had been constructed by the Turks. The authorities have since laid down some 160 miles of narrow gauge line, which are worked at a loss; and have improved internal communications by the construction of some 750 miles of roads linking up the districts under their control.

4. INDUSTRIAL POLICY.

The only industrial enterprises worthy of note are a brewery, a manufactory of cement squares, a flour mill, and an oil factory (the two last owned by the Banco di Roma). There are a few small soap factories run by the natives, whose output of some 120 tons per annum is consumed locally by the poorer classes. Carpet and native fabric making are cottage industries. The cotton yarn used was formerly obtained from Manchester, but the Italian article has now almost supplanted the British.

5. EXTERNAL TRADE DEVELOPMENT.

The military campaign which took place between 1911 and 1918 had disastrous and far-reaching effects on the country's development and purchasing power. In the first place, the unsubdued rural population—the majority of whom were engaged in agricultural pursuits—abandoned their labours, either to engage in a guerilla warfare against the Italians, or to fly to remote and quieter districts, thereby reducing the agricultural output. Secondly, the products available for export diminished, thus decreasing the purchasing power of natives and Europeans generally.

The latest unofficial statistics available (1923), show that, in respect of Tripoli as apart from Cyrenaica, the value of imports was eight times greater than the value of merchandise exported during that year. This overwhelming trade balance is largely accounted for by the importation of supplies requisite for the army of occupation.

The total value of exports from the port of Tripoli during the year in question was approximately £170,000, and consisted of :—

Tunny fish—shipped to Italy.
Sponges—shipped to Italy, Tunis, France, and Greece.
Salt—shipped to Italy.
Dates—shipped to Malta, Italy, and Egypt.
Butter—shipped to Egypt and Turkey.
Barley—shipped to Italy and United Kingdom.
Sheep and Goats—shipped to Egypt.
Esparto Grass—nearly all to the United Kingdom.

6. COMMERCIAL POLICY.

The special tariff imposed in 1923 gives preference to Italian imports. The depreciated value of the lira, the decreased purchasing power of the populace—which obliges them to buy cheaper goods—and excellent means of communication with the Mother country, are other advantages which are assisting our Italian competitors to displace foreign, including British, goods.

7. BRITISH TRADE POSITION.

The absence of direct steamship communications between United Kingdom ports and Libya is a serious handicap to the development of our trade with that country. This drawback necessitates shipping United Kingdom merchandise via Malta—thus increasing the cost of the goods through transhipment charges—or, alternatively, via a German port, since two German steamship companies maintain a regular bi-monthly service to Libyan ports. Merchants in Tripoli lament the absence of British tonnage to and from that country.

A regular monthly call for British cargo vessels would go a long way towards increasing our dwindling export trade with Libya, if at the same time the purchasing power of the natives showed signs of improvement.

7(a) Competitive Situation.—*Textiles.*—In the Manchester goods trade, the United Kingdom still maintains her position as regards longcloth and shirtings; but the Italian mills have captured about two-thirds of our export trade in other cotton fabrics and cotton yarns.

Iron and Steel Manufactures. Seventy-five per cent. of our trade has been lost to Belgium, Germany, and Italy

Green Tea.—Nearly all this trade used to be in the hands of London merchants, but some 85 per cent. of the imports of this commodity are now obtained from Marseilles and Genoa.

Soap.—British soaps secured a firm foothold in the market, but since 1920 have suffered severe competition from the Tunisian and Marseilles article.

Coal.—Imported entirely from the United Kingdom. Imports show an appreciable increase since the advent of the Italians.

EGYPT.

	1907	1917
Population (Census)	11,287,359	12,750,918

*British Trade Returns (Merchandise only).	1904. £1,000.	1913. £1,000	1923. £1,000.
U.K. exports to Egypt	8,273	9,806	15,073
U.K. re-exports to Egypt	158	158	241
U.K. imports from Egypt	14,291	21,395	33,062

Egyptian Trade Returns. General Trade (including Bullion).	1904. 1,000 £E.	1913. 1,000 £E.	1923. 1,000 £E.
Total imports...	20,560	27,865	45,277
Imports from United Kingdom ...	6,991	8,496	14,772
Percentage from United Kingdom	34·0%	30·5%	32·6%
Total Exports (including re-exports)	21,087	32,240	59,853
Exports to United Kingdom ...	11,002	13,747	28,510
Percentage to United Kingdom ...	52·2%	42·6%	47·6%

* The figures for 1904 and 1913 in the British Trade Returns include the Anglo-Egyptian Sudan.

Currency.—The unit of currency is the Egyptian £ of 100 piastres. The par rate of exchange is piastres $97\frac{1}{2}$=£1. The annual average rates of exchange during the past five years have been as follows :—

1920	$97\frac{31}{64}$	1922	$97\frac{31}{64}$
1921	$97\frac{31}{64}$	1923	$97\frac{1}{64}$
1924	$97\frac{15}{32}$		

I. FINANCIAL.

1(a) General Financial Position.—The financial position of Egypt throughout the nine years ending 31st March, 1923, was remarkably sound; financial progress was also made, thanks to the armed protection accorded by Great Britain during the war and to the measures taken by Great Britain to ensure Egypt's sea-borne supplies and to carry Egyptian cotton safely to oversea markets. Thus Egypt emerged from the most destructive war in the world's history with the satisfaction of knowing that she had balanced her budget, honoured her debt charges, increased her general reserve fund, and considerably augmented her national wealth.

As a result of the successful working of the financial year 1923-24, of the favourable balance and volume of her foreign trade during the year 1923, and of the realisation of nearly £E 50 millions by the sale of cotton in

that year, the public finances of Egypt are in a flourishing state, and the economic situation arising out of the general prosperity of the country is satisfactory. For the third financial year in succession, the actual budgetary surplus has considerably exceeded the estimates; the estimated excess for 1923-24 of £E. 550,000 is expected to reach about £E. 4,950,000.

1(b) National Debt.—The consolidated national debt on the 31st March, 1914, was £E. 94,144,640, but yearly amortisations had reduced the Government debt to £E. 92,468,640 on the 31st December, 1923. The service of the debt, which includes payment of interest and statutory amortisation, amounts to £E. 4,614,692 in 1924-5.

1(c) General Reserve Fund.—The reserve fund is an unusual feature in Government finance, but one which, in Egypt, is necessary to counterbalance existing international restrictions on her fiscal freedom, and as an insurance against the dangers to which economic dependence on cotton exposes her. The fund in question is available to make good budgetary deficits which cannot be met by administrative economies or fresh taxation. An example of its usefulness was afforded by the way in which, in the 1920-1921 budget, an exceptional deficit, which arose out of the purchase on a huge scale, and at high prices, of coal and wheat, was met. So great was the depletion of the Reserve Fund that it shrank from £E. 17,117,867 on the 31st March, 1920, to £E. 1,513,606 a year later. Since that crisis, however, the Reserve Fund increased to £E. 11,796,232 on the 31st March, 1923, and there is every possibility of its being restored in 1924 to a figure not far short of £E. 18 millions.

1(d) Capital Resources.—In his note on the Budget for 1923-24, the Financial Adviser to the Egyptian Government adduced, as indicating the financial strength of the country, an estimate that, at the end of 1919, the net accumulated resources acquired during and after the war approximated £E. 150 millions. But in the subsequent two years it suffered considerable diminution through excessive imports and expenditure abroad, and, towards the beginning of 1923, was calculated to have fallen to about £E. 85 millions. The addition of some ten millions of savings in 1923 would bring up the estimated total to £E. 95 millions. This computation, which is understood to be based on the country's actual fresh investments abroad since the beginning of the war, is probably not very wide of the truth. The investments consist not only of British and other foreign securities, but also, in a considerable and increasing measure, of Egyptian Government and Egyptian companies' securities, the purchase of which from abroad represents, for the time being, actual repayment of foreign debt. It is estimated that more than half of the total public debt is now held in Egypt. The tendency thus shown, on the part of wealthy Egyptians, to invest in Government and other Egyptian securities is a satisfactory and

promising departure from the primitive habit of hoarding (preferably in the ground) which is still practised by the majority of the Egyptian people.

2. ECONOMIC DEVELOPMENT.

2(a) Agriculture.—Egypt's main source of economic wealth is agriculture, which is the means of livelihood of at least 75 per cent. of the population The principal crop is, of course, cotton, which in normal years occupies about 32 per cent. of the cultivated area, producing some 300,000 tons annually. Not only does Egyptian cotton constitute the bulk of the country's exports, both as regards quantity and value, but its paramount importance is such that more than two-thirds of the people are dependent on it. Further, a very large percentage of the non-agricultural population is connected in some way with this commodity; as, for example, at Alexandria, where many are interested in ginning, baling, marketing and exporting. Owing, therefore, to its national importance, nearly every social and economic problem and policy of the country finds its origin or *raison d'être* in this product. The following figures will convey an idea of the high percentage of the exports accounted for by cotton, the production and sale of which have invariably been the barometer of Egypt's prosperity :—

Year.	Total value of domestic exports.	Value of cotton exported.	Weight of cotton exported.	Percentage of cotton exports.
	£E.	£E.	Tons.	Per cent.
1921	36,356,062	28,375,249	213,916	78
1922	48,716,418	39,714,845	289,258	81·5
1923	58,387,327	49,516,369	333,598	84·8

Cotton, as has been pointed out, is the premier crop, due to its export value; but the cereal crops which the country produces occupy a relatively more important position in respect of the actual area utilised. As Egypt is densely populated in the cultivable areas which are subordinated to cotton growing, the cereals produced are, for the most part, consumed at home; hence, not so much is known abroad of their economic importance. Owing to the remunerative value of cotton, the Egyptians prefer to devote their efforts to its cultivation and to import whatever flour or grain is required to supplement home production. Egypt's principal crops, apart from cotton, are: Wheat, barley, maize, millet, rice, beans, lentils, sorghum, onions, tomatoes and sugarcane.

2(b) Mining.—*Petroleum* is produced at Hurghada and Gemsa, on the coast of the Gulf of Suez. The crude product is shipped by tank steamer to Suez, where it is refined and all the

various grades of oil are produced. As the country's output (some 160,000 tons per annum) is far from adequate to meet the demands of home consumption, large quantities have to be purchased abroad.

Only 25,370 metric tons of *phosphates* were extracted in 1923 from the beds at Qosseir, Safaga and Sebaia, as compared with 60,220 tons in 1922.

The production of *manganese ore* in 1923 by the Sinai Mining Company was greater than in any previous year, and amounted to 132,384 tons, as compared with 104,143 tons in 1922.

2(c) Railways.—The chief means of internal communication in Lower Egypt are the railways, and, in Middle and Upper Egypt, the railway and the Nile. The railways are of two kinds: (1) those owned and operated by the State, and (2) those controlled by private enterprise. The first are the more important and embrace 3,234 kilometres of permanent way. The privately operated narrow gauge lines extend to 1,164 kilometres, thus giving Egypt altogether 4,398 kilometres of railways.

The most interesting feature of recent railway development in Egypt is the establishment of direct rail communication between Palestine and Egypt. This was undertaken in response to military requirements, and the project was consummated in 1918, when Cairo was connected with the Palestine system of railways by the erection of a swing bridge over the Suez Canal at Kantara: a ferry has since been substituted.

According to an unofficial report, there is a proposal to unite Cairo with Suez by a standard gauge electric railway across the desert.

2(d) Roads.—The total length of roads is 3,884 kilometres, of which only 53 are macadamised, the remainder being mud roads.

3. INDUSTRIAL POLICY.

Egypt, though essentially an agricultural country, possesses a few manufacturing industries, and a determined effort is being made by the Government to foster new industrial undertakings and to strengthen those already existing. As a first step in this direction, the Bureau of Commerce and Industry was established in April, 1920, under the ægis of the Ministry of Finance. Its chief function is to promote native industries, for which purpose a permanent exhibition has been opened in Cairo where Egyptian manufactured products are displayed. As a further instance of the policy of assisting the development of domestic manufacture, the Government, in August, 1922, decided to help embryo industries by advancing loans not exceeding £1,000 in each case Accordingly, £E.100,000 was lent to the Banque Misr (a local institution of recent formation) at the rate of 2 per cent. per annum. Out of this sum the bank in question makes advances

to industrialists at the rate of 6 per cent. per annum, after consultation with the Bureau of Commerce and Industry. Up to the end of 1923, only £E.14,500 had been loaned.

More immediate and appreciable results in the development of industry and production have followed as a result of the formation in June, 1922, of a combination known as the Association des Industries en Egypte. This Association comprises some eighty firms registered in Egypt, representing a capital of £E.25 million, employing 150,000 hands, and its object is to work for the common good of the industries represented. Its importance in the eyes of the Government may be gauged by the fact that the following results have been obtained :—

(i) A circular from the Ministry of Finance was sent to the various Government purchasing departments, inviting them to give preference, price and quality being equal, to local products when adjudicating contracts.

(ii) A Decree was issued authorising the Ministry of Finance to exempt from export duty and quay dues certain unspecified goods when exported, provided they are manufactured in Egypt.

(iii) A drawback has been granted of seven-eighths of the import duty on the re-exportation of raw material, which has undergone some process of local manufacture.

3(a) Development of Manufactures.—The industries of Egypt may be divided into two categories; one, consisting of industrial enterprises which are largely in European hands, and the other of native arts and crafts, as well as industries which are indigenous to Egypt and the Near East generally. In the first are several firms engaged in the manufacture of goods which compete with foreign imports: a résumé of these and other industries is given below :—

The Filature Nationale of Alexandria is the only modern spinning and weaving establishment in Egypt. The annual production is about nine million yards of grey sheetings and 4¼ million lbs. of yarn, made from purely Egyptian cotton of the lower grades. The only other textile factory of note is the Clothing and Equipment Company of Shubra, which manufactures clothing, uniforms, etc., from cloth imported principally from Czechoslovakia.

Two of the most important industries in Egypt are cigarette making from imported tobacco and sugar refining from Egyptian grown and imported cane. A natural subsidiary of the sugar industry is the production of alcohol from the molasses extracted in the refining of the sugar cane.

Amongst other industrial concerns which owe their existence chiefly to European capital is the Egyptian Salt and Soda Company, with a capital of £E.500,000. This company has two

factories, where soap, cotton-seed oil, cotton cake, etc., are manufactured. The salines at Maryut and Port Said also come under its control.

The cement works at M'sara produce some 40,000 tons of Portland cement per annum, which is less than one-third of Egypt's annual requirements.

An important Italian enterprise exploits the refractory and other kinds of clay, limestone, etc., available in the country for the manufacture on a large scale of all kinds of bricks, tiles, pipes, sanitary-ware, household earthenware, etc. Pottery is also produced at this factory under English supervision, and the head of this concern contemplates holding exhibitions in Cairo and London.

The progress in building railway rolling stock by the State Railway Workshops is astounding. Although the under-frames and bogeys are still imported, the design and workmanship of the carriages by native coach-builders are excellent, thanks to the thorough training and careful supervision of the British technical experts. There are also a number of engineering works capable of producing spare parts for machinery of various kinds; while at Alexandria and Port Said there are several shipbuilding and repairing works.

The Department of Technical, Industrial and Commercial Education, as well as the Bureau of Commerce and Industry, has recently given considerable attention to increasing facilities for technical instruction, and at the present time there are 17 trade schools scattered over the country preparing skilled workers for various industries, such as weaving, leather work, furniture making, etc.

4. EXPORT TRADE.

The growth and value of Egypt's exports depend entirely on her greatest national asset, cotton, which, together with cotton by-products such as seed, oil and cake, represent in normal years 90 per cent. of all the exports. The production of cotton has increased from some 125,000 tons in the season 1885-86 to approximately 300,000 tons in 1922-23, all of which is exported, with the exception of about 3,250 tons consumed locally every year.

There is no record of the price obtained for this commodity in 1885, but in 1895 the average price was £2 6s. per 100lbs.; in 1913 it had risen to £3 18s. and in 1923 to £6 15s 6d.

The total exports of merchandise in 1885 were £E. 11½ millions; in 1913 the value exported from Egypt, excluding specie, had increased to £E. 31½ millions, and again in 1923 to £E. 58½ millions. From 1884 to 1923 the total value of Egypt's exports considerably exceeded that of its imports, in spite of the fact that at various periods, amounting to six years in all, there

was an adverse trade balance. The following are the principal exports and countries of destination :—

Raw cotton	To United Kingdom, U.S.A., France, Italy, Germany. Total, £E.49½ million.
Cotton-seed	United Kingdom, Germany, Denmark. Total, £E.3½ million.
Cotton-oil	United Kingdom, Germany, etc. Total, £E.436,000.
Cotton-cake	United Kingdom, Germany, and other countries. Total, £E.705,000.
Sugar, refined cane	United Kingdom, Mesopotamia, Palestine, French Mediterranean Possessions, etc. Total, £E.1,058,000.
Eggs	United Kingdom, France, etc. Total, £E.478,000.
Cigarettes	Palestine, United Kingdom, Holland, Far East, Mesopotamia, France, etc. Total, £E.367,000.
Onions	United Kingdom, United States of America, Italy, Germany, Holland, France, etc. Total, £E.358,000.
Metallic ores (consisting almost entirely of manganese ore)	United Kingdom, Belgium, Holland, etc. Total, £E.274,000.
Rice	Syria, Palestine, etc. Total, £E.225,000.
Hides and skins (untanned) ...	Turkey, Greece, Italy, France, Syria, Bulgaria, etc. Total, £E.152,000.
Benzine	Italy, Portugal, France, Malta, U.K., etc. Total, £E.150,000.
Phosphates	Japan, Italy, Spain, and other foreign countries. Total, £E.74,000.
Wool	United Kingdom, United States and other countries. Total, £E.71,000.

5. COMPETITIVE SITUATION.

In 1913 Egypt's imports were just over £E.27¾ million, including £E.8½ million from Great Britain, or 30·5 per cent. During the war our percentage increased, and from 1915 to 1919 was greater than it has ever been. With the return of ex-enemy

trade, and increased competition on the part of Japan, Italy, Belgium and Switzerland, the share of Great Britain fell to 34 per cent. in 1922 and 32·6 per cent. in 1923. The total imports amounted to some £E.45¼ million during the latter year, of which £E.14¾ came from Great Britain.

The following is an analysis of certain trades in which British manufacturers have experienced competition from various countries

Cotton Piece Goods.—One of the most conspicuous examples of foreign competition in Egypt is the increase during recent years of the import of cotton piece goods from Italy. As a result, Italy's share of the trade rose from 12·6 per cent. in 1922 to 18·4 per cent. in 1923, while the percentage held by the United Kingdom fell from 83·3 per cent. in 1922 to 74·0 per cent. in 1923. Italian competition and gain in certain textiles is shown here under, as well as the loss in trade in similar goods on the part of the United Kingdom :—

	—	Italy's share.	United Kingdom's share.
		Per cent.	Per cent.
Goods dyed in the yarn ...	1922	40·9	50·9
	1923	47·9	37·8
Printed Goods	1922	6·9	88·4
	1923	12·0	83·6
Goods dyed in the piece...	1922	12·6	86·0
	1923	15·7	81·6
Bleached Goods	1922	1·05	98·5
	1923	1·9	97·4

In grey cotton piece goods the United Kingdom's principal competitor is Japan, whose exports to Egypt in these goods rose from £E.28,226 in 1922 to £E.108,809 in 1923. The result was that Great Britain's share fell from 93·4 per cent. in 1922 to 87·3 per cent. in 1923.

Woollen Textiles.—The trade in woollen shawls is now almost entirely in the hands of Germany, Italy and India, while there is increasing competition on the part of France. The United Kingdom has lost about half her share of this trade.

Ready-made Woollen Clothing.—French competition in these goods was noticeable in 1923, and continued throughout 1924. In 1923 imports from the United Kingdom were lower than in 1922, while those from France increased proportionately to this decline. Greater competition was also experienced from Austria and Czechoslovakia

Woollen Hosiery.—There was an increased demand for these goods in 1923, shared principally by Italy, Germany and France. The United Kingdom's volume of trade increased, but her percentage showed a perceptible decrease.

Woollen and Worsted Cloths.—The United Kingdom still holds the largest share in this trade, but French, Italian and Czechoslovakian competition is being felt in the cheaper articles. During 1923, Czechoslovakian competition in low cross-bred serges was very keen, and their imports are on the increase, while Italian coloured woven goods, known as " Scotch," were imported in considerable quantities.

Machinery.—The United Kingdom still retains her percentage in machinery of most categories, with the exception of tractors and electrical machinery. The lion's share of the former is in the hands of the United States of America, and, as regards electrical machinery and parts, trade has been lost to Italy, Germany and the United States of America.

Some of the principal trades in which competition is noticeable are mentioned below, with the chief competing country in each case.

Locomotives	Italy, Germany.
Iron and steel bars and billets ...	Belgium.
Iron and steel girders and joists ...	Belgium.
Iron and steel sheets and plates (not galvanised)	Belgium.
Cast iron pipes	France.
Nails and screws	Belgium.
Motor vehicles	United States of America.
Plated and gilt ware	Germany.
Iron or steel bedsteads and parts ...	Germany.
Cement	Jugo-Slavia.
Furniture (wooden)	Italy.
Cutlery and table ware	Germany.
Plate glass	Belgium.
Glassware	Belgium.
Chinaware	Germany.
Dyes	Germany.
Medicinal preparations	France.
Beer and stout	Germany.
Linen piece goods	Belgium.
Soap (household)	Palestine.
Toys	Germany.
Rubber tyres	France.
Boots and shoes	France.
Cardboard	Germany.
Wrapping paper	Germany.
Matches	Sweden.

6. BRITISH TRADE GAINS.

The United Kingdom maintains its predominant position in the Egyptian market as regards coal, coke and patent fuel With regard to the first mentioned commodity, the United Kingdom share increased from 90·7 per cent. in 1922 to 99·5 per cent. in 1923. All the coke and practically all the patent fuel imported into Egypt during these years was supplied by the United Kingdom.

A satisfactory increase in the United Kingdom trade with Egypt in stationary internal combustion engines is shown by the statistics for 1923, when imports from the United Kingdom were 57·7 per cent. of the total trade, as compared with 32·0 per cent. in the previous year.

Industrial implements and tools is another class of goods in which British trade increased in 1923, the United Kingdom share being 27·7 per cent., as compared with 21·4 per cent. in 1922.

Cutlery and table ware imports from the United Kingdom showed an appreciable increase, the percentages for 1922 and 1923 being 8·4 per cent. and 12·1 per cent. respectively.

ANGLO-EGYPTIAN SUDAN.

Population (1923) 5,912,402

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Anglo-Egyptian Sudan.	Not separately stated prior to 1914.		1,459
U.K. re-exports to Anglo-Egyptian Sudan.			35
U.K. imports from Anglo-Egyptian Sudan.			1,590

Sudan Trade Returns.	1913. (£E.1,000.)	1923. (£E.1,000.)
Total imports	2,109	4,669
Imports from United Kingdom	616	1,534
Percentage from United Kingdom ...	29·2%	32·9%
Total exports (domestic)	1,185	2,562
Exports to United Kingdom	268	973
Percentage to United Kingdom ...	22·6%	38·0%

Currency.—The £Egyptian of 100 piastres is maintained, with but very slight deviations, at the par rate of 97½ piastres = £ sterling.

1. GENERAL.

The Sudan is an Anglo-Egyptian condominium established, under the agreement of the 19th January, 1899, between the Egyptian and British Governments. The country has an area of just over one million square miles, and is divided into fifteen provinces, the population of which is nearly 6 millions. The dry regions in the North are mainly inhabited by Mohammedans in religion and culture, whereas the well-watered districts of the South are inhabited chiefly by peoples having a primitive negroid culture.

2. FINANCE.

The Sudan Government has not raised any loans solely on its own credit, but three loans were raised with the guarantee of His Majesty's Government between October, 1919, and January, 1923. The net proceeds of these loans amounted to £9,014,000, and were chiefly required to carry out the construction of the Sennar Dam and Gezira irrigation works. These important schemes will, it is anticipated, involve raising further funds.

3. ECONOMIC DEVELOPMENT.

The wealth of the country is almost entirely agricultural and pastoral, and the natives are therefore practically wholly occupied in these pursuits.

The Sudan is the chief source of the world's supply of gum arabic, the exports of which amounted to 22,425 metric tons in 1923, valued at about £1,000,000.

Cotton is the crop which will very shortly add enormously to the country's resources and to the well-being of the population. The irrigation schemes now being executed will eventually allow of some 300,000 acres being placed under cultivation, of which 100,000 acres will be cultivated with cotton of Egyptian type this year. The area under cotton in 1923 was 61,500 acres, and the quantity of cotton exported during that year amounted to 5,093 tons, valued at £457,000.

The opening up of the Eastern Sudan by the recent construction of the Kassala railway (the funds for this project, £1¼ million, were raised under the guarantee of the Imperial Government) will enable a further output of Egyptian cotton to be obtained from the delta of the River Gash, which this railway taps, and will do much to stimulate the trade in other products.

Besides gum arabic and cotton, the following are some of the principal products exported :—Millet (*Sorghum vulgare*), sesame, cotton-seed, cattle, sheep and goat skins, ground nuts, dates, salt, senna leaves, ivory, etc. Wheat and barley are grown in the north, but wheat flour is imported for consumption by foreigners. The main native food crops are millets.

3(a) Minerals.—Gold is the only mineral at present being successfully exploited in the Sudan. The output of the Gebeit and Wady Oyo mines for the 12 months ending 30th June, 1923, was valued at some £38,000.

3(b) Communications.—There are now some 1,700 miles of narrow gauge State-owned railways open to traffic. The Railway Department also operates a steamer service on the Nile and its tributaries. The Government maintains a service of freight and passenger motor cars on the road between Rejaf and Aba, on the frontier of the Belgian Congo. Metalled roads are practically non-existent, but there are several thousand miles of cleared tracks.

4. EXTERNAL TRADE.

On the whole the Sudan has maintained a steady rate of progress during the last two years; but, until the large development schemes already referred to are in full operation, no great increase in trade can be expected. The following table shows the value of the import and export trade during the years 1913, 1922 and 1923 :—

—	Imports.	United Kingdom Share.	Exports.	United Kingdom Share.
	£	£	£	£
1913... ...	E. 2,109,476	E. 615,929	E. 1,185,186	E. 268,375
1922... ...	E. 4,252,890	E. 1,034,000	E. 1,993,436	E. 789,085
1923	E. 4,669,004	E. 1,533,671	E. 2,562,091	E. 972,784

5. COMPETITIVE SITUATION.

Japan.—In 1913 the value of goods imported from Japan was only £E.107; but in 1922 it had increased to £E.59,990, of which £E.59,448 represented cotton piece goods. In 1923 the value of goods imported from Japan rose to £E.270,819.

Belgium.—Imports from Belgium, which in 1913 were valued at £E.12,127, had increased in 1922 to £E.175,961, of which sugar accounted for £E.145,274. Sugar fell to £E.41,384 in 1923.

France.—The value of goods imported from France in 1922 and 1923 amounted to £E.47,148 and £E.64,118 respectively, as compared with a total of £E.11,225 in 1913. The principal goods in which French imports show an increase are soap and motor cars.

Germany.—The value of imports from Germany in 1923 (£E.55,342) was nearly three times greater than in 1913. This increase is due chiefly to larger imports of beer and ale, glass and crystal ware and iron and steel ware.

GROUP 6.—NEAR EAST.

TURKEY.

Population.—Variously estimated from under 10,000,000 to over 12,000,000.

British Trade Returns, 1923 (Merchandise only).	Exports. (£1,000's.)	Re-exports. (£1,000's.)	Imports. (£1,000's.)
United Kingdom Trade—			
Turkey, European	3,127	156	1,149
Turkey, Asiatic	797	14	1,968
Total	3,924	170	3,117

Currency.—The unit of currency is the piastre; 100 piastres = 1 lira or £T. The par rate of exchange is piastres 110 = £1. The annual average rates of exchange during the past three years have been as follows :—

1922	717·251
1923	752·498
1924	833·806

1. GENERAL AND FINANCIAL.

The effect of the territorial adjustments at the end of the Great War, and of the national pact at Angora amongst the Turks themselves, was to transform the previous Ottoman Empire, a large straggling territory comprising numerous countries and peoples, into a well-knit and self-contained area.

Before the war the public debt of Turkey had been administered extremely efficiently by the council of the Imperial Ottoman Debt, and her financial house was rapidly getting into order. The nominal amount of Turkish public debt approximated to 442 million pounds,* of which 287 million pounds represented floating debt; but according to the Lausanne Treaty the pre-war public debt of Turkey, amounting to about 129 million pounds, will be distributed between Turkey and the territories detached after the Balkan war and the Great War. In the Turkish floating debt is included paper money in circulation to the amount of about 159 million Turkish pounds. This paper was issued before and during the war, the last issue being in September, 1918, since when no further issues have been made

The Budget.—The Commissariat for Finance has submitted the Budget Bill for the year 1925-1926 to the Grand National Assembly.

* At the end of 1919.

The expenditure and revenue compare as follows with the preceding year :—

	1924-1925. £T.	1925-1926. £T.
Expenditure ...	166,478,564	158,980,222
Revenue	129,214,610	149,496,854
Deficit	37,263,954	9,483,368

2. ECONOMIC DEVELOPMENT.

The strength of Turkey has always lain in its position as an agricultural country of exceptional wealth, and the difficulties attending its development have always lain in inadequate transport. Anatolia is, roughly speaking, a trough; and, unless goods can pass freely from one end to the other, the natural wealth of the country is useless. Apart from the staple commodities, wool, mohair, figs and nuts, the country is undoubtedly rich in various minerals, such as emery, chrome, lead and copper. The practical difficulty has always been that the mines are in remote and inaccessible places in which it was dangerous, if not impossible, to secure efficient working of the property in question. Just before the war the Germans had built the great artery through the interior of Turkey known as the Baghdad and Anatolian Railway, but this cannot be said to have played its part in the economic life of the nation since the armistice. Negotiations have been on foot between the Turkish Government and the Anatolian Railway Company (which has now been acquired by Allied interests) whereby the Turkish Government shall hand back this railway to the company for administration. At present the Anatolian and Baghdad railways are administered by a Turkish personnel. Although much remains to be done in the way of repairs, the system is administered very fairly. It remains to be seen, however, whether, when renewals fall due, it will not be necessary to reach a definite settlement regarding the future of the line. In addition to the Anatolian Railway, the Republic has in hand the construction of several new lines in the North East of Asia Minor. These lines require to be completely equipped with foreign material, but two things are essential: firstly, that payment should be extended over a number of years; and, secondly, that delivery should be as prompt as possible. Other communications in Turkey are at present bad, though military necessity has caused the construction of several new strategical roads. Railway construction is the only hope at present which the United Kingdom has for obtaining considerable orders for the engineering trades; but, more important, is the effect which a well-administered railway will have upon the economic recovery of the country itself.

Of course, it is natural that an undeveloped country with considerable potential resources should offer many opportunities for the investment of British capital; but, though many schemes have been examined by British and other financiers, up to the present no important work of this character has been undertaken

If and when conditions become suitable for such enterprises, a considerably extended market for British goods may be expected to arise, as the influx of British mechanics and artisans would spread the knowledge of foreign goods in remote places where they are not at present known. The financing of trade transactions is rendered easy for British firms, owing to the existence in all the principal towns of the country of branches of the Imperial Ottoman Bank, which also has offices in London and Manchester.

Finally, a note upon agriculture may not be out of place. The Turkish Government is making efforts to help its farmers; and, though some of the fruit trades have been ruined by the exodus of skilled Greek and Armenian refugees, reports received from travellers returning from the interior are to the effect that farmers are taking much more interest in improving their methods of farming and in agricultural machinery than they ever did before. There is probably a considerable trade in agricultural machinery with the interior. This business could be greatly extended if some method of co-operation with the railway administrations were arranged, whereby British machines were on view at the principal railway stations.

3. INDUSTRIAL POLICY.

Turkey has never been an industrial country, and owing to the exodus of the artisan class of Greeks and Armenians it is now less so than ever. It is, however, the object of the Government to encourage industry under purely Turkish auspices. The silk industry of the Broussa district suffered through the exodus of a large number of Christian women. The carpet industry will probably revive, but this will take some time. In the vilayet of Adana a healthy sign is the considerable amount of cotton which is being planted, and in the present season the output is expected to amount to 40-50,000 bales. It is satisfactory to note that it is being bought by a British firm and sold in Lancashire.

4. EXTERNAL TRADE.

The principal articles exported from Turkey are opium, mohair, wool, cotton, nuts, tobacco and silk. In any comparison, however, between Turkey's present and pre-war purchasing power, based on the statistics of exports and imports, the following differences must be considered :—

(I) The pre-war statistics were based on an *ad valorem* basis, and the value of the goods imported formed the basis of these returns.

(II) The present Customs statistics are based on specific tariffs, and the weight of the goods imported forms the basis of these returns.

(III) Owing to the fact that no duties are levied on goods exported from Turkey, no particular attention is paid by the customs authorities to checking the accuracy of export declarations.

From the statistics available, the value of goods imported into the whole of Turkey in 1913-14 amounted to £T39,876,087, and exports to £T23,686,848. Thus, deducting the trade figures for the territories now detached, the imports of the present Turkey may be estimated to have amounted to approximately £T26,000,000, and exports £T14,800,000. On the rough assumption that one Turkish gold lira is equal to eight paper £T, it appears that, on a gold basis, imports into the present Turkey in 1923 amounted to £T18,098,600, and exports to £T10,581,400, or a general total of £T28,680,000. It follows that the general volume of Turkish overseas trade, measured in gold, has decreased from £T40,800,000 to £T28,680,000, a reduction of about 30 per cent.; whilst the adverse trade balance has decreased from £T11,200,000 in 1913-14 to £T7,517,000 in 1923. Even this estimate fails to indicate the shrinkage in volume of trade, since no account is taken of the depreciation in the value of gold itself, nor of the fact that the present foreign trade figures include trade which was formerly internal. A very rough estimate of the weight of imports and exports gives the weight of imports in the year 1910 into the area of the present Turkey as about 1,200,000 tons, and exports roughly 900,000 tons, giving a total of 2,100,000 tons. The statistics for 1923 show that the weight of imports amounted to 497,000 tons, and of exports 368,000 tons, a total of 865,000 tons, showing therefore a decrease of about 60 per cent., in the volume of Turkish pre-war trade on a basis of weights. The following comparison of the value of the pre-war and present production of some of Turkey's principal exports is not without interest in estimating the present purchasing power of the country.

Article.	1913. Value of production 1,000 £T.	1923. Value of production 1,000 £T.	
	(Gold).	(Gold).	(Paper)
Opium	1,000	562	4,500
Mohair	640	400	3,200
Wool	640	150	1,200
Cotton...	840	625	5,000
Nuts	1,760	1,025	8,200
Tobacco	3,200	2,200	17,600
Silk	1,000	175	1,400
Total	9,080	5,137	41,100

On a gold basis, therefore, the value of the production of the above articles shows a decrease of 44 per cent., compared with 1913. Needless to say, too much reliance should not be placed on these statistics.

Two of the exports from Turkey are of special interest to the trade of the United Kingdom—these are wool and mohair. Another, which is cotton, may become of great importance in

the future. The two first-mentioned trades have grown up throughout the course of many years, and are so highly organised that little can be done to interfere with the natural tendency of the market. Any increased interest by the Turkish farmer in improving the breed of his sheep will naturally be to the interest of British trade. The Turkish export of fruit, however, has received a definite set back through the exodus of Greeks and Armenians from the Vilayet of Smyrna. Certain classes of fruit can be picked by unskilled labour, but there are other kinds which need special treatment in the course of drying, and it is in these that a decrease is to be looked for. The matter is of some importance, since the prosperity of Smyrna in former times rested almost entirely in the profits which it made on its export trade, and it seems doubtful whether it will ever regain its full importance in that respect.

5. COMMERCIAL POLICY.

The policy of the Angora Government has been one of continual legislative intervention in matters of commerce. The motive of the restrictions, which have affected every branch of commerce, has been chiefly to encourage native industry and to remove the Greek and Armenian middle men; but in many cases the effect has been seriously to jeopardise internal Turkish trade. In shipping particularly the restrictions have proved disastrous to Constantinople, but steps are now being taken to remedy this The import tariff also is oppressive, and the restrictions are imposed without any warning at all and are even differently interpreted in various Turkish towns. Towards the end of November, 1922, an official communication appeared in the Press calling upon foreign companies established in Turkey to register in accordance with the law of November, 1914. According to Article 15, companies whose fundamental operations are effected in Turkey are to be transformed into Turkish companies. The law in question was particularly prejudicial to insurance companies, and a tax of 15 per cent. was imposed by the Turkish Government on all premiums with retro-active effect as from November 30, 1914. As a result British fire insurance companies decided to withdraw from Turkey. Another law which has caused a good deal of difficulty has been the compulsory use of the Turkish language. The " dry " régime which was introduced towards the end of the year 1923-24 when finally put into effect proved so disastrous to the revenue of the country that modifications have now been introduced. The right to participation in coasting trade has been confined, with the exception of certain foreign lines to whom privilege has been granted for a short period, entirely to Turkish companies; and similar restrictions have been introduced as regards fishermen, divers, pilots, stevedores, lightermen, etc. These regulations have resulted in considerable disorganisation in the port of Constantinople. Meanwhile, numbers of Turkish merchants

have been buying second-hand tonnage. In summing up the situation, the Commercial Secretary, in his report on Turkey for the year 1923-24, states that "good progress might have been made by the Government early in the year 1923 to encourage trade; wise legislation might have accomplished a great deal towards the re-establishment of confidence. Unfortunately, this has not been the case."

6. COMPETITIVE SITUATION.

The only commodity for which Turkey is an important customer of the United Kingdom is cotton goods. The United Kingdom and Italy between them share the greater part of the cotton piece goods trade, but Italian competition has been very severe and the United Kingdom's position has become increasingly difficult to maintain.

During the first six months of 1923, about 11,000 metric tons of cotton goods were imported into Turkey, and about 4,000 metric tons were imported through Constantinople. Of this total, about 3,100 metric tons, or 28 per cent., were imported from the United Kingdom. Imports of Italian cottons amounted to 2,794 metric tons, or 25 per cent. of the total. The most severe competition is felt in dyed and printed cotton piece goods and flannelettes, of which 1,473 metric tons were imported from Italy during the first six months of 1923, and 1,242 metric tons from the United Kingdom. Italian success is due to her careful study of the requirements of the local market, and to competitive prices, especially in flannelettes. The fact is, that the ultimate purchasers of these goods are too poor to buy anything other than the very cheapest article; and it is useless to urge upon them that a slightly increased cost will give better wearing power. Further competition has arisen in cabots (a coarse sheeting) supplied by America. These sell very freely and have almost, if not entirely, replaced English unbleached shirting. It is possible that England may recapture the market in certain of the lighter grades, but we are quite unable to compete with the heavier and coarser goods. Japan is also shipping cabots to Turkey, and yarns of British origin are now being replaced by goods from Bombay.

As regards other articles, such as chemicals and engineering goods, indications are that Germany and Czechoslovakia are gradually regaining the position which their trade held before the war; but it is important to remember that German competition in Turkey is only recovering lost ground, whereas Italian competition, which is specially encouraged by its Government, shows signs of encroaching on what have hitherto been specially British trades. Our mercantile position in Constantinople is strong; but, in view of the tendency for towns in the interior to try and cut out Constantinople, and of the entrance into business of numerous Turkish firms, it would seem desirable that steps should be taken by British exporters to send travellers to the towns in

the interior to examine conditions for themselves, and above all to make those personal contacts without which business in Turkey is impossible. While really important contracts and large business is still best handled by British merchant firms in Constantinople, it is considered that new business and smaller orders can be transacted through Turkish merchants in the interior, provided that these transactions are suitably covered and that all possible commercial caution is exercised.

PERSIA.

Population : Estimated as between eight and ten millions.

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Persia	435	725	1,744
U.K. re-exports to Persia	21	11	72
U.K. imports from Persia	552	430	7,053

Persian Trade Returns. General Trade.	Year ending 20th March, 1906. (1,000 Krans.)	Year ending 20th March, 1914. (1,000 Krans.)	Year ending 20th March, 1923. (1,000 Krans.)
Total imports	386,463	647,165	619,201
Imports from British Empire*	80,685	97,596	208,434
Percentage from British Empire.*	20·9%	15·1%	33·7%
Total exports	293,143	455,840	733,983
Exports to British Empire* ...	8,124	33,319	189,356
Percentage to British Empire.*	2·8%	7·3%	25·8%

* British Empire, excluding India. Separate figures for the United Kingdom are not published.

Currency.—The unit of currency is the silver kran, the exchange value of which averaged about 55 to the £ during the fiscal year 1922-23. The pre-war rate was approximately the same.

1. FINANCIAL.

Individual Persian Merchants have considerable capital, but they are prone to over-trading, and during a period of trade depression they sometimes retire to their remote estates and live on their farms. This custom renders it very difficult for the British creditor to foreclose on any security which they may have offered. It is impossible to speak generally of the terms of credit

offered in private transactions, as these depend not only on the individual person but on the particular town in Persia in which he is situated. For example, credit that would be given to foreign merchants in Meshed would probably not be accorded to persons in Shiraz. Speaking generally, it may be said that credit is not given by British houses, and about 75 per cent. of the value of the order is asked in sterling, the remaining 25 per cent. being payable against documents, plus a charge for interest at the rate of about 15 per cent. Competitive nations are understood to allow a credit of from two to six months after the delivery of goods. But the furthest limit to which it is known that any British house goes is 91 days sight draft, which means that cash becomes payable before the arrival of the British goods in Persia.

British commerce is served by two banks, the Imperial Bank of Persia, which has branches in every town of any importance, and the Imperial Ottoman Bank with branches at Hamadan, Kermanshah and Tehran.

2. ECONOMIC DEVELOPMENT.

Apart from the operations of the Anglo-Persian Oil Company, no natural resources in the country have as yet been exploited. The vital thing, not only for the interests of Persia but for the interests of all nations trading with her, is the improvement of internal transport. Apart from a steam tram from Tehran to Shah Abdul Azum, there are at present only about 25 miles of railway in the whole country, and these are merely lines extending for a few miles into Persia from adjacent countries. As regards roads, there is one passable road from the Mesopotamian frontier up to Tehran over which lorries run for most of the year, and there are various other tracks over which light cars can pass occasionally; but there are extensive areas of considerable prosperity, producing various products of general utility, which are virtually unable ever to sell their products or to pay for imported goods. It has even happened that wheat has had to be burned in the province of Fars while there has been a famine in the northern provinces. The province of Khorasan is known to have maintained a prosperity which has as yet hardly been tapped by the outside world, simply because the 700 miles of motor road which connect it with the railway head have been allowed to fall into disrepair since the British troops which constructed it have been withdrawn from East Persia.

There are isolated instances of orders of considerable value having been placed with British merchants. Transactions of this nature would no doubt be increased if transport were improved; for, apart from the fact that at present foreign trade in Persia is like those Asiatic rivers which run into a salt marsh and drain away, the concentration of foreign trade along a very few routes leads to the growth of monopoly and stagnation.

Considerable areas in the south of Persia have up to the present lived by the cultivation and export of opium. The steps taken

under the auspices of the League of Nations to suppress this traffic have led to farmers being unable to find a market for their principal crop, and unless some substitute for opium is found, a considerable section of the country will be threatened with ruin. Efforts are being made by the authorities to induce the opium farmers to grow cotton instead; but this is unlikely to be successful unless the cotton can be transported over the mountains to the sea by some more expeditious means than the donkey or the camel.

3. INDUSTRIAL POLICY.

Persia has few industries except the carpet manufacture, which is largely in British hands. A British firm owns a large carpet factory at Tabriz fitted with the most modern machinery, and there is also a factory at Hamadan; but the bulk of the industry is carried on, and the best of the carpets are made, in the cottages and tents of the people. Owing largely to the depreciation of currencies in Central Europe, which gave a temporary stimulus to this trade, there has been a period of activity, for rich men in Europe, as their currencies depreciated, tended hastily to buy expensive carpets which would always be saleable.

4. COMMERCIAL POLICY.

At present goods of Russian origin entering Persia on the northern frontier pay duty at the lower rate of the 1903 tariff, whereas goods entering Persia from the south-west or south pay at the 1920 rate. This differentiation in tariff rates has formed the subject of extensive correspondence with the Persian Government. Up to the present no improvement can be reported.

5. COMPETITIVE SITUATION.

Great Britain's principal competitor is, of course, Russia. When Russian direct efforts and propaganda met with little success they had recourse to German co-operation. In Persia the paramount factor affecting the cost of goods to the consumer is that of transport: without effective transport within Persia no country can do more than tap the outer sources of Persian economic capacity; and, compared with this difficulty, all other considerations such as tariffs, credit and methods of selling fall into insignificance.

The only real and fundamental remedy, therefore, for existing conditions, is an improvement in internal transport. Whether such improvements take the form apparently most suitable to the interests of one country or another is immaterial to the point at present at issue. The true importance of any such step lies in the freedom which it will bring to the economic life of the country; and, from this point of view, regard should be had, in considering any such scheme, to the indirect benefits which it will confer rather than to immediate financial results.

THE ARAB SUCCESSION STATES.

Population :

Iraq (1920)	2,849,282	(includes Mosul)
Palestine (1922) ...	757,182	
Syria	3,000,000	(approx.).

British Trade Returns, 1923.

United Kingdom Trade. Merchandise only. With	Exports. (£1,000's.)	Re exports. (£1,000's.)	Imports. (£1,000's.)
Iraq	3,952	35	1,859
Palestine	542	18	825
Syria	1,993	13	225

Currency.—*Iraq.*—The unit of currency is the Indian rupee.

Palestine.—The currency at present in use is Egyptian; but a separate Palestine currency, based on equivalence to and linked with the pound sterling, but decimal in its denominations (pound-mill), is to be issued in the very near future. It will be controlled by a Palestine Currency Commission in London.

Syria.—The unit of currency is the Syrian pound, which is exchangeable in Paris at a fixed rate of 20 francs to the pound.

1. IRAQ.

1(a) General.—The northern frontier has not yet been delimited. To-day, all larger commercial enterprise is delayed by the uncertain position of the Mosul Vilayet, which is economically bound up with the rest of the country. It must be remembered that a gap of some 220 miles still separates the Iraq railhead in the Tigris valley from the eastern extremity of the operative portion of the old Baghdad railway, constructed by the Germans before the war with the object of providing railway connection with the Persian Gulf and Mediterranean. At present the transit trade through Iraq completely dwarfs the trade of the whole country, and it is reckoned by those likely to know that above five-eighths of the trade normally shown as belonging to that country really relates to transit to and from Persia. This being so, great importance attaches to the ultimate construction of a railway from the Iraq frontier to northern Persia; but, though this matter has been exhaustively considered, and the line has even been roughly surveyed, difficulties have so far prevented anything being done. The Persians have recently been seeking to improve connections with one of their own ports on the Persian Gulf, in order to be independent of Iraq; but the

geographical difficulties in the way of such an alignment are so great that the route Basra-Baghdad-Hamadan-Tehran will prove of importance for years to come.

1(b) Trade Position.—Both the export and import trade of Iraq are in the hands of old established merchant firms, to the virtual exclusion of the commission agent. It is a hard and fast merchant market; and to such a pitch of economy has the art of buying and selling been brought by Baghdad Jews since the war, that several British firms have closed their offices because the overhead expenses were greater than those of their oriental competitors. The export trade in dates, grain and silk is not likely to vary much in the near future, for irrigation schemes on any considerable scale are hardly likely to take place for some time. A minor improvement which may, however, be made by the efforts of British advisers will be an improvement in grading of the produce exported, since, with the exception of dates, Iraq produce was not well regarded in respect of quality on the London market.

Banking interests are well served by the Imperial Bank of Persia, the Eastern Bank, and the Imperial Ottoman Bank.

1(c) Transport.—Transport within the country is effected by two means; either by the river steamers on the Tigris, or by the Iraq Government railways, on which arrangements have recently been made to issue through bills of lading from London to any place in Iraq. Complaints have in the past been made in regard to the inefficiency at the port of Basra, but no such complaints have been received since 1922. Pilferage is exceptionally bad in the Persian Gulf. If the country is left to develop on purely commercial lines, there is at least the possibility that the railways may become a lucrative proposition. They already afford some market for British engines and plant.

2. PALESTINE.

2(a) General.—Palestine, which is under Mandate to His Majesty the King, has an area of approximately 9,000 square miles. The population, at a census taken in October, 1922, was 757,182, of whom 261,216 were located in 21 towns and large villages. Since that date the addition, by natural increase and immigration, has been about 60,000.

The primitive economic conditions which existed at the time of the British occupation are rapidly giving place, under the stimulus of mandatory government and the enterprise of the Jewish inhabitants, to modern methods of agriculture and industry; and the area of cultivation is extending by settlement of Jewish immigrants on the land. Since 1920, 35 new Jewish colonies have been founded.

Jaffa and Haifa are open roadsteads, and the lack of a safe port is a serious drawback to trade, particularly the transit trade with Damascus and Syria.

At Jaffa there is shelter only for lighters behind a reef; steamers anchor nearly a mile off-shore, and cargo and passengers are taken on board or discharged by lighter. There is little quay space. Bad weather conditions in winter involve the loss of over 100 working days each year. Between 500 and 1,000 tons of goods are landed daily.

The Haifa anchorage is protected by the promontory of Mount Carmel. The lighters are larger and more commodious than at Jaffa, and are towed by tugs. There is a good quay, ending in a rough stone jetty, on which the railway runs. The Customs storage space is adequate.

The broad gauge railways of Palestine were constructed by the British Army during the campaign, and handed over to the Civil Government in October, 1920. They compare very favourably with European systems as regards rolling stock and permanent way.

The main line from Haifa to Kantara, linking up by ferry with the Egyptian State Railways, measures 259½ miles; the Jaffa-Jerusalem section, originally narrow gauge, was purchased outright by the Civil Government from the French company which constructed and operated it under the Turkish Government. From Haifa the narrow gauge Hejaz railway connects with Damascus and with Amman and Ma'an in Trans-Jordan.

2(b) General Finance.—There are no Stock or Produce Exchanges or organised money markets in Palestine. In the main towns there are branches of the

Anglo-Egyptian Bank,
Imperial Ottoman Bank,
Anglo-Palestine Company,
Banco di Roma,
Credit Lyonnais.

Various Jewish banking enterprises, covering a wide and useful field of activity, have been established since 1922, such as the

Palestine Building Loan and Saving Association,
Central Bank of Co-operative Associations,
General Mortgage Bank,
Workers' Bank,
Palestine Bank for Commerce and Industry,
Halva Vehisachon (Saving and Loan Society).

Pending the establishment of a long term credit bank, the Government has granted agricultural loans to cultivators.

2(c) Trade.—The general trade depression of 1920 and 1921 affected Palestine, but less severely than most countries in the Levant. In 1922 industrial expansion became apparent, and building operations were commenced on a comparatively large scale. The consequent immobilization of capital was, however, keenly felt towards the end of the year. 1923 was a trying year on account of continued building activity, large land transactions, and a poor barley harvest.

In 1924, however, there was a distinct improvement in trade, and the markets assumed a more stable form. The recovery was partly due to successful orange and tourist seasons, and to higher cereal prices. Immigrants possessed of sufficient capital to establish themselves in remunerative businesses are now beginning to arrive in fairly large numbers.

Palestine Trade since 1919.

——	1919–20.	1920–21.	1921.	1922.	1923.	1924.
	£E.	£E.	£E.	£E.	£E.	£E.
Imports for home consumption.	4,191,060	5,216,633	5,871,878	5,471,667	4,825,185	5,266,349
Imports of specie...	—	—	—	109,465	110,080	187,222
Exports of Palestine produce.	773,443	771,701	1,416,368	1,070,171	1,143,234	1,200,812
Exports of specie...	—	—	—	283,197	411,496	717,275
Re-exports of foreign imported goods.	—	56,058	82,868	188,840	233,973	141,866
Imports in transit to Syria.	—	721,800	141,689	147,699	189,680	136,138
Exports in transit from Syria.	—	67,247	3,736	48,015	45,607	61,002

The large difference between the volume of imports and of exports is mainly explained by the expenditure in Palestine of sums borrowed or subscribed from abroad; for example, expenditure upon the local garrison by His Majesty's Government, expenditure by the Palestine Government upon public works, by the Zionist Organisation and affiliated bodies, by missionary societies for the maintenance of schools and religious institutions, as well as expenditure by industrialists on the building of factories, and by tourists for accommodation and on the purchase of souvenirs. These different expenditures represent many millions of pounds which, circulating in Palestine, have been available, directly or indirectly, for the purchase of goods from abroad.

2(d) Principal Industries.—(i) The orange trade is the most important industry. In 1913-14 the export was 1,600,000 boxes valued at £E297,700; 1919-20, 647,063 boxes valued at £E162,409; 1922-23, 1,646,588 boxes valued at £E374,798; 1923-24, 1,584,081 boxes valued at £E419,457. The biggest buyer is England: the next, Egypt.

(ii) Now that transport is secure and rapid, each season since the war has seen an increasing number of tourists. Several large conducted tours are arranged annually, and the facilities offered by the Palestine Railways encourage tourists to extend their trips to Palestine from Egypt. Large modern hotels are still lacking.

(iii) The cultivation and manufacture of tobacco have developed remarkably since the abolition, in January, 1921, of the monopoly

of the Regie Co-Interessée des Tabacs dé l'Empire Ottoman. The first large tobacco factory was opened at Jaffa in 1921, and 11 factories are already in operation. 1,100 tons of locally-grown tobacco (Turkish and native) were available for export in 1924.

(iv) The soap-making trade suffered considerably during the war, and Egypt, the principal importing country, commenced to manufacture its own supplies. The trade is, however, slowly recovering; the export in 1924 was 4,813 tons, valued at £204,256. Palestine soap is composed purely of vegetable oils and caustic soda, and is therefore in good demand in Moslem countries.

(v) The wine industry also suffered during the war, and afterwards, owing to prohibition in America, and to the loss of the Russian market. The second largest cellars in the world are situated at Richon le Zion.

Exports in 1924 amounted to 1,750,764 litres.

Among the larger new industries are :—

(*a*) Shemen Oil Company, Haifa, for the extraction of vegetable oils.

(*b*) Grands Moulins de Palestine, Haifa; capital 5,000,000 francs; minimum daily output, 50 tons of flour.

(*c*) Nesher Cement Company, Haifa.

(*d*) Jaffa Electric Company; capital £100,000; supplying energy to Jaffa, Tel-Aviv and Sarafand (Royal Air Force Cantonments) from a fuel power station.

(*e*) Palestine Electric Corporation; capital £1,000,000; now engaged in the erection of fuel stations at Haifa and Tiberias.

(*f*) Palestine Salt Company; capital £40,000; which produces salt by evaporation of sea-water at Athlit and is now supplying the Government.

(*g*) Silicate Brick and Tile Company, Tel-Aviv; capital £75,000; daily output, 40,000 bricks.

(*h*) Delphiner's Silk Factory, Tel-Aviv; capital £25,000.

(*i*) " Lodzia " Textile Factory, Tel-Aviv; capital £12,000.

(*j*) Yehuda Steam Tannery, Tel-Aviv; capital £35,000.

3. SYRIA.

3(a) General.—Before the war the most important commercial town in Syria was Aleppo, which served a very large area of the Kurdish Highlands and a considerable area to the east. Its sheep market alone was of very considerable importance. Owing, however, to the fact that the frontier of Turkey is virtually closed, and to other considerations, Aleppo's trade has disappeared since the war, and the position of uncertainty all along the northern frontier of Syria has paralysed commerce and industry of every kind. Another factor which has affected British trade has been the introduction of the franc as a standard of currency in Syria. Owing to the constant fluctuations of this unit, business has become very difficult, especially for a population accustomed to use nothing but gold.

The industries of Syria are chiefly those of agriculture, including silk; but the latter has suffered severely owing to the destruction of a number of mulberry trees and to the lack of expert labour. Another industry is the production of olive oil. The primitive crushing and pressing plants, which were formerly made locally and used for the extraction of oil, have been replaced for the most part by modern machinery imported chiefly from the United Kingdom and France. The industry, besides supplying local wants, finds a market for its produce in Iraq, Egypt and Anatolia, but the latter market is now closed. Some of these distant markets prefer the products of one Syrian district to another, so that each, besides supplying a general market, supplies some special region where its products are appreciated and preferred.

3(b) Import Trade.—The import trade is mostly in the hands of several large and old-established native firms in Beirut, who are in close touch with British manufacturers through branch houses which they have established in Manchester. The chief imports from the United Kingdom are cotton goods. Italian manufacturers are making persistent efforts to compete with British cotton goods, and are penetrating the Syrian market to the detriment of British trade. Italian salesmen endeavour to obtain orders from the small trader who has no direct contact with Manchester and who buys on credit from local importers, or through native commission agents established in Manchester. The Austrian manufacturers of fezzes are successfully regaining the monopoly of this trade, which they held in pre-war days. Many attempts have been made to manufacture this headdress, but no manufacturers have yet been able to make at the price anything approaching the quality, finish and general appearance of the Austrian article. German traders are said to be active in exporting to Syria the following goods: hardware, machinery, paper, glass and china, hosiery, drugs, pianos, safes, clocks and beer. No great development is therefore to be looked for in Syria at present.

3(c) Transport.—The only constructive development of any size which has taken place since the war is the institution of a direct motor service between Beirut and Baghdad across the desert. This was due to the enterprise of two colonial ex-officers, but they are now meeting with considerable competition. The desert has proved in many cases to be entirely suitable for high-speed motoring, and all are agreed that the number of motor cars in Syria has very largely increased since the war. It would appear, unless British manufacturers are able (1) to produce a vehicle competing in price and speed with the American motor car, and (2) to establish in conjunction with local financial or mercantile institutions some system of warehousing motors in stock, and spare parts, competition will be a very difficult business. No orders for locomotive or railway material can be looked for for many years to come.

GROUP 7.—AFRICA, WEST AND EAST.

BRITISH WEST AFRICA.

Population :

Nigeria	18,631,442
Gold Coast	2,110,474
Sierra Leone	1,541,311
Gambia	210,530

British Trade Returns. Merchandise only.	Year 1923.		
	Exported U.K. produce.	Re-exports. (£1,000's.)	Imports. (£1,000's.)
Nigeria (including British Cameroons)	6,462	465	7,501
Gold Coast (including British Togoland).	3,810	428	2,027
Sierra Leone	820	88	1,125
Gambia	414	15	515

Merchandise only.	Year 1923.	
	Imports. (£1,000's.)	Exports Domestic. (£1,000's.)
Nigerian Trade Returns ... ... Total	10,270	10,803
(From or to) United Kingdom	7,930	7,245
Percentage (from or to) United Kingdom...	77·2%	67·1%
Gold Coast Trade Returns ... ... Total	7,728	7,544
(From or to) United Kingdom	5,224	1,706
Percentage (from or to) United Kingdom...	67·6%	22·6%
Sierra Leone Trade Returns ... ... Total	1,660	1,347
(From or to) United Kingdom	1,264	1,055
Percentage (from or to) United Kingdom...	76·1%	78·3%
Gambia Trade Returns ... ... Total	790	862
(From or to) United Kingdom	438	423
Percentage (from or to) United Kingdom...	55·4%	49·1%

Currency.—The currency is of the same denominations as that of the United Kingdom. It is under the control of the West African Currency Board in London.

1. INTRODUCTION.

The position of Nigeria as regards export trade is very different from that of the Gold Coast. In Nigeria the export trade affects only a very small fraction of the population. For the vast majority of the people the local produce of the farms, palm groves, livestock, &c., is their main source of livelihood, supplemented by the local trade of the territory. To the majority of the 18 millions of native Nigerians, the export trade is only a useful addition to a livelihood which is already obtainable from the country's rich natural resources. Nigeria has not been organised for export trade in the same way as the Gold Coast, where the former production of palm kernels, palm oil, &c., has been in a large measure replaced by cocoa, for which there is no use locally. Consequently the livelihood of the great majority of the population of the Gold Coast territory depends on the continued prosperity of their export trade. This explains the great difference in the value of the imports per head of population in the two territories. By reason of their dependence on the world market, the people of the Gold Coast are affected by world conditions to a much greater degree than the inhabitants of Nigeria

In Sierra Leone and Gambia the native products are confined to one or two staple commodities. Practically the whole of the exports from Gambia consist of ground nuts. There is a little more diversity in the export trade of Sierra Leone, but palm kernels and palm oil account for nearly 80 per cent. of the total. As the prices for these commodities in 1923 were less than those of 1913, although the price of nearly every commodity imported has risen considerably, it follows that the purchasing capacity of these territories, measured by the value of their exports, has been detrimentally affected.

A factor of great importance in West African trade and finance has been the prohibition, since 1919, of the importation and sale of " trade " spirits, in accordance with the provisions of the Liquor Convention signed at St. Germain-en-Laye. Deprived thus of a large proportion of their revenue, the colonies have had to fall back upon other sources, notably export duties.

The trade on the West Coast of Africa is mainly in the hands of established merchant houses with head offices in this country; consequently the bulk of the trade is with the United Kingdom.

As Germany is now beginning to obtain once more an increasing share of world trade generally, it may be expected that she will in future gradually increase her share of the West African trade until she reaches approximately her pre-war percentage, especially as a considerable share of West Africa's export trade goes to that country.

2. NIGERIA.

2(a) Finance.—The following statement shows the expenditure on loan works from 1918 to March, 1923 :—

	Expenditure on loan works.
	£
1918	30,591
1919	176,239
1920	472,784
1921 (January-March)	243,082
1921-22	615,487
1922-23	1,098,261

The public debt at 31st March, 1923, stood at £13,609,209, and the sinking fund at £810,754. A new 4 per cent. loan was issued in London in October, 1923, amounting to £5,700,000. This was an instalment of an issue intended to produce £10,528,730, the issue price of which was 88 per cent. The loan is repayable at par in 1963. The purposes for which loans have been issued include the construction and equipment of railways, railway workshops and wharves; bridges; dredgers, barges, &c., and works in connection with the Niger navigation; Lagos harbour works and water supply; the electric light and power station at Iddo.

The following shows the true revenue and expenditure (that is, the totals of these accounts after deduction of sums advanced from revenue for expenditure on loan works and of the amounts repaid to revenue on this account) for the years 1913 to 1923-24 :—

Year.	Revenue.	Expenditure.
	£	£
Surplus, 1st January, 1913 ...	1,275,677	—
1913	3,462,508	2,872,000
1914	3,048,381	2,967,839
1915	2,703,257	2,802,047
1916	2,831,199	3,066,770
1917	3,450,180	3,104,545
1918	4,013,987	3,429,183
1919	4,911,470	4,352,937
1920	6,739,042	6,020,739
January-March, 1921	1,566,748	1,431,272
1921-22	4,869,220	6,556,510
1922-23	5,561,764	5,467,282
Aro Quarry equipment taken over from Harbour Works, £60,000 less Sundry Credits	—	57,293
	44,433,433	42,128,417
1923-24 Revised Estimate ...	5,816,041	5,604,269
Estimate Surplus, 31st March, 1924	—	2,516,788
	£50,249,474	£50,249,474

Railway Finance.—The loss on working the railway system for 1922-23 exceeded a quarter of a million sterling, in spite of economy in working costs effected by considerable reduction of establishment and other retrenchments. It is pointed out, however, that, in a vast and largely undeveloped territory such as Nigeria, the policy of a Government in such matters as railway construction cannot properly be decided solely, or even mainly, by the purely commercial considerations which in similar circumstances would be the determining factor for any private company.

2(b) Taxation.—Direct taxation takes the form of an income tax, based on the wealth of the different villages as assessed after a careful enquiry into the crops grown, the fertility, or otherwise, of the land under cultivation, the industries of the community, and, in fact, all sources of wealth. The tax is graduated according to the wealth of the individual.

The indirect taxation consists of customs duties (import and export), railway rates, posts and telegraphs, rents of Government property, &c. By far the most important of these is the customs revenue.

The highest point attained by receipts from Customs Revenue during the pre-war period was reached in 1913. At that time the Customs Revenue was derived exclusively from Import Duties, the tariff in force being far lower in every respect than it is to-day. The minimum duty on spirits from January to March of 1913 was 4*s.* 6*d.* a gallon, and, from April to December, 5*s.* a gallon. It is now 22*s.* 4*d.* a gallon; but, for the reasons indicated in section 1, revenue from this source is greatly reduced.

Export duties on produce were first imposed in Nigeria in October, 1916, as a war measure. The following general conclusions as to their effects on trade were reached by the Committee on Trade and Taxation of British West Africa appointed by the Secretary of State which reported in March, 1922 :—

(1) That the imposition of export duties did not in practice check production during the years 1918, 1919 and 1920.

(2) That their effect during this period was neutralised by the high prices prevailing.

(3) That the export of Nigerian produce has since shown a considerable falling off.

(4) This is mainly attributable to the low prices, and while these continue the existence of export duties cannot be regarded as the principal contributory factor in checking production.

(5) That having regard to the fact that palm kernels are in some of the most important producing districts the

perquisite of the women, it is improbable that the production and exportation of this article will very materially or permanently decline, even if the present low prices remain in force for a prolonged period.

(6) That as regards palm oil . . . the export duty helps to stimulate local consumption and proportionately to discourage exportation, and that the export duty on palm oil is therefore more likely to cause a decline in the quantities exported than is the case as regards any other vegetable export from West Africa upon which an export duty is levied.

(7) That as regards Nigerian ground nuts, owing to the fact that these are in the northern provinces an indigenous crop, large quantities of which are annually produced in any event, for local consumption, it is probable that a considerable amount will always be available for sale and export.

It was pointed out, however, in the address of the Governor to the members of the Legislative Council in February, 1924, that, however objectionable the imposition of export duties upon produce might be held to be in principle, it was an inevitable measure which the Government was compelled to adopt, and which, in fact, had alone saved the financial situation.

2(c) Imports.—The following is a summary statement of the value of imports into Nigeria from each country, by classes, during the year ended 31st December, 1923 :—

Countries of Consignment.	Food, etc.	Raw materials, etc.	Manufactured articles.	Total imports (including Bullion and Specie).	Total for 1914.
			(£1,000's.)		
United Kingdom ...	1,013	78	6,634	9,347	5,145
Gold Coast ...	470	—	6	497	291
U.S. America ...	498	130	168	796	256
Holland	43	—	120	163	426
Germany	163	2	365	530	579
Grand Total (all Countries).	2,438	218	7,408	11,762	6,901

It will be observed that the United Kingdom enjoys nearly 80 per cent. of Nigeria's import trade; the United States contributing about 7 per cent. and Germany 4·5 per cent. The corresponding percentages for 1914 were :—United Kingdom, 74 per

cent.; United States of America, 3·6 per cent.; and Germany, 8·4 per cent.

The following is a comparative statement of the total imports into Nigeria according to classes, for periods prior to the war and since, with special reference to the more important commodities included therein :—

Articles.	1913.	1920.	1921.	1922.	1923.
	(£1,000's.)				
Food, Drink and Tobacco :— Total	1,468	4,563	2,302	2,580	2,438
Salt	62	536	350	386	239
Cigarettes	40	323	54	184	182
Tobacco, unmanufactured ...	184	898	342	310	425
Provisions, other sorts ...	151	488	140	181	183
Raw materials, etc. :— Total	253	567	341	223	218
Kerosine and all lamp oil, imp. gall.	93	346	144	138	122
Manufactured articles :— Total	3,808	14,990	7,374	7,299	7,408
Apparel	88	348	121	92	142
Coopers' stores	173	890	199	279	311
Hardware	33	351	182	112	129
Implements and tools ...	49	172	116	78	86
Iron or steel wrought in bars, etc.	15	61	57	116	31
Iron or steel galvanized sheets flat, corrugated, etc.	117	285	74	170	143
Machinery (including steamships, iron or steel).	157	447	645	343	398
Railway carriages	76	997	173	161	144
Soap	66	213	102	128	104
Cotton piecegoods	1,528	6,033	2,441	2,675	2,735
Woollen manufactures ...	29	113	40	37	55
Silk manufactures	81	185	68	56	54
Bags and sacks	94	434	97	116	153
Cement	34	145	152	146	139
Matches	19	98	19	57	35
Stationery	29	127	93	64	65

The 1920 figures, of course, reflect the abnormal purchases of the inflation period. At this time very considerable capital development was undertaken, in view of the striking prosperity of the Colony. The foregoing table should be read in conjunction with the following statement, which shows the principal commodities in which foreign competition is greatest. Where the country is in italics, it indicates that the majority of Nigeria's imports come from that source.

Commodity.	Competition from.
Flour	*U.S.A.*
Spirits	France and Holland.
Cigars	*Holland* and Germany.
Unmanufactured tobacco...	*U.S.A.*
Cheese	*Holland*
Sugar	U.S.A.
Lamp oils, etc.	*U.S.A.*
Beads	*Germany.*
Coopers' stores	U.S.A.
Clocks and watches ...	*Germany and U.S.A.*
Cutlery	Germany.
Enamelware	Germany.
Hardware	Germany.
Implements and tools ...	Germany.
Earthenware	Holland and Germany.
Glassware	Germany.
Furniture	Germany.
Sewing machines	Germany.
Haberdashery	*Germany.*
Jewellery and plate ...	*Germany.*
Motor cars	U.S.A.
Matches	Germany and Sweden.
Motor spirit	*U.S.A.*
Smoking pipes	*Germany.*
Toys and games	Germany.

In view of the hold which United Kingdom trading interests have on the trade of the West Coast of Africa, by reason of the long established trading connections enjoyed by United Kingdom merchants, the keen competition of Germany in the classes of goods mentioned above is significant.

2(d) Exports.—The following table shows the growth in the export trade of Nigeria's staple products since 1910 :—

Year.	Palm Oil.	Palm Kernels.	Cocoa.	Ground Nuts.	Cotton Lint.
	Tons.	Tons.	Tons.	Tons.	Cwts.
1910 ...	76,851	172,997	2,932	995	22,128
1914 ...	72,531	162,452	4,939	16,997	50,444
1919 ...	100,967	216,913	25,711	39,334	60,221
1921 ...	52,771	153,354	17,944	50,979	114,426
1922 ...	87,609	178,723	31,256	23,890	58,942
1923 ...	99,439	223,172	32,822	22,887	62,701

It will be observed that the whole period shows on the whole a steady growth, and that the year 1923 shows a very considerable increase on the average of the three previous years in the case of palm oil, palm kernels and cocoa. The trade in Nigeria has in fact been steadily improving during the greater part of 1923, and

it is hoped that the improvement will be still greater as the reductions in the export duties exert their influence on the export trade. The improvement is due mainly to the improved prices offered, with the exception of cocoa. The increase in the exports of this commodity is due to young areas coming into bearing, rather than to improved prices.

The following table shows the distribution of Nigeria's total exports (including re-exports and bullion and specie) according to country of destination for the year ending 31st December, 1923 :—

Countries of Destination.	Food, Drink and Tobacco.	Raw materials and articles mainly unmanufactured.	Articles wholly or mainly manufactured.	Bullion and Specie.	Total Exports (including Bullion and Specie.)
	(£1,000's.)				
United Kingdom	2	7,243	17	815	8,100
Gold Coast ...	22	24	157	—	208
U.S.A.	—	1,051	—	—	1,052
France	—	250	—	—	250
Germany ...	—	1,297	1	—	1,299
Italy	—	234	—	—	234
Grand Total (all Countries)	35	10,609	209	820	11,705

It will be observed that 69 per cent. of the export trade is with the United Kingdom, Germany coming next with 11·1 per cent.

3. GOLD COAST.

3(a) Finance.—The annual revenue of the Gold Coast increased from over £683,000 in 1906 to £1,835,989 in 1916. Shortage of shipping led to its falling to £1,298,674 in 1918; but the " trade boom " which rose to its height during the 12 months ending 31st July, 1920, resulted in the revenue for 1920 attaining the (locally) unusual figure of £3,721,772.

In spite of the depression which followed, the actual revenue in 1921-22 reached £3,016,520, and £3,357,196 in 1922-23, in spite of the reduction in the cocoa export duty. The yearly revenue and expenditure for the period 1915 to 1922-23 is shown below :—

Year.	Revenue.	Expenditure.
	£	£
1915	1,456,130	1,627,015
1916	1,835,989	1,465,946
1917	1,624,124	1,424,279
1918	1,298,674	1,369,486
1919	2,601,360	1,781,170
1920	3,721,772	2,856,347
1921-22	3,016,520	3,285,290
1922-23	3,357,196	2,934,994

Customs and railway receipts compose the chief sources of revenue.

The expenditure on works begun, but not completed, out of the loans raised up to 1910, has been charged to Surplus Balance since these loans were exhausted in 1916.

The appended statement shows particulars of this expenditure :—

—	Provided out of Loan Funds.	Provided out of Revenue (Surplus Funds).	Total Expenditure to end of 1921–22.
	£	£	£
Seccondee-Coomassie Railway ...	1,812,556	—	1,812,556
Accra-Mangoase Railway ...	300,000	95,264	395,264
Tarquah - Prestea - Broomassie Railway	135,000	26,837	161,837
Accra Harbour Works	158.000	139,377	297,377
Seccondee Harbour Works ...	168,312	98,200	266,512
Accra Water Works	200,000	58,253	258,253
Seccondee Water Works ...	156,817	55,301	212,118
Tafo-Coomassie Railway Extension...	2,099,539	—	2,099,539
Seccondee-Coomassie Railway Deviations	1,105,790	—	1,105,790
Railway Topographical Survey	80,124	—	80,124
Harbour Survey...	38,106	—	38,106
Takoradi Harbour Construction	360,407	—	360,407
Accra Harbour Improvements...	74,364	—	74,364
Central Province Railway Survey	3,396	—	3,396
	6,692,411	473,232	7,165,643

On the 31st March, 1923, the amount of the Public Debt was £7,299,118.

3(b) Taxation.—*Export Duties.*—The effects of these can best be studied in regard to cocoa, the staple export trade of the Colony.

When first imposed in October, 1916, the rate was ¼*d.* per lb., or £2 6*s.* 8*d.* per ton; a year later it was reduced to ⅛*d.* per lb., or £1 17*s.* 4*d.* per ton; but it was raised to ½*d.* per lb., or £4 13*s.* 4*d.* per ton in August, 1919, and later reduced to ¼*d.* As shown in section 3 (*d*), "Exports," the exports of this article have steadily increased. The duty is producing a large revenue.

Judging from the most recent export returns, the duty does not seem to have affected the export of the staple product of the Gold Coast adversely, and appears to have been satisfactory as a substitute for the loss of revenue from imported spirits.

3(c) Imports.—The following table shows the percentage of import trade enjoyed by the United Kingdom, other parts of the Empire, and foreign countries for the years indicated :—

Countries.	1913.	1920.	1921.	1922.	1923.
	%	%	%	%	%
United Kingdom	70·0	78·0	76·1	75·7	69·2
British West Africa	5·5	·6	1·7	5·1	2·6
Other parts of British Empire	·2	·9	·3	·2	0·4
Total British Empire ...	75·7	79·5	78·1	81·0	72·2
United States of America ...	5·1	14·7	12·6	8·9	10·5
France	·9	1·1	1·5	1·2	1·2
Germany	7·9	—	1·2	2·9	5·4
Other foreign countries ...	10·4	4·6	6·6	5·9	10·7
Total foreign countries ...	24·3	20·5	21·9	19·0	27·8

The following is a comparative statement of the imports by countries, showing totals for the years 1914 and 1923 :—

Countries of Consignment.	Food, etc.	Raw materials, etc.	Manufactured articles.	Total imports (inc. Bullion & Specie) 1923.	Total for 1914.
	(£1,000's.)				
United Kingdom	812	215	4,198	5,848	3,106
Germany	110	3	340	454	289
Holland	215	1	272	488	171
United States of America ...	376	250	261	886	270
Grand Total (all Countries)	1,734	518	5,471	8,449	4,457

Generally speaking, the position of the United Kingdom has been well maintained Germany for the most part has not yet regained her pre-war position, notably in cotton piece goods, sugar, vehicles, provisions and apparel. With regard to the United States of America, the most notable feature is the large importation from that country of motor cars and lorries. A considerable increase is also shown in the imports of provisions.

3(d) Exports.—The following table shows the percentage of export trade enjoyed by the United Kingdom, other parts of the Empire, and foreign countries for the years indicated. It will be observed that the share of the Gold Coast exports taken by the United Kingdom has fallen very considerably. Germany

and France also received a smaller percentage in 1923 than in 1913, while the exports to the United States of America show a very great increase :—

Countries.	1913.	1920.	1921.	1922.	1923.
	%	%	%	%	%
United Kingdom	64·8	47·5	46·3	42·3	34·1
British West Africa	7·4	4·3	7·0	4·04	3·9
Other parts of British Empire	—	—	—	—	—
Total British Empire ...	72·2	51·8	53·4	46·3	38·0
United States of America ...	1·9	20·7	14·8	25·6	25·7
France	8·4	12·7	6·4	6·9	7·9
Germany	16·6	—	15·6	12·9	7·0
Other foreign countries ...	1·0	14·9	9·9	8·3	21·4
Total foreign countries ...	27·8	48·2	46·6	53·7	62·0

The following figures show the growth of the Gold Coast export trade from 1912 to 1923 :—

	£
1912	4,307,802
1913	5,427,107
1918	4,472,925
1919	10,814,175
1920	12,352,207
1921	6,942,197
1922	8,335,400
1923	8,959,213

Cocoa.—This is the principal export of the Colony. The figures for the eleven years to 1923 are as follows :—

Year.	Quantity.	Value.	Per Ton.
	Tons.	£	£
1913	50,554	2,489,218	49·24
1914	52,888	2,193,749	41·47
1915	77,278	3,651,341	47·24
1916	72,162	3,847,721	53·32
1917	90,964	3,146,851	34·60
1918	66,343	1,796,985	27·08
1919	176,176	8,278,554	46·99
1920	124,773	10,056,298	80·59
1921	133,195	4,764,067	35·77
1922	159,305	5,840,743	36·66
1923	197,664	6,566,973	33·22

The Gold Coast is capable of producing annually considerably more than 160,000 tons of cocoa, should the world's consumption go on increasing at as rapid a rate as it has done in the past decade. In the years 1910 and 1911 the world's production of cocoa was in excess of the world's consumption, but in 1912 only 230,000 tons were produced, and the consumption in that year amounted to 250,000 tons. The world's consumption in 1922 was upwards of 400,000 tons, and, owing to the large demand for cocoa, there are as yet no signs of a world over-production.

4. SIERRA LEONE.

4(a) Finance.—The collapse of the trade boom in 1920 affected Sierra Leone very seriously. Active steps were taken by the Government to remedy the situation by raising both ad valorem and specific duties, and by curtailing capital expenditure.

The benefit from these measures in 1922 and 1923 was considerable, and the resulting favourable position of the finances of the Colony has enabled the Government to grant a partial relief of the heavy taxation burden imposed in previous years. Thus, in November, 1923, the export duties on palm oil and gum copal were abolished, and in December the ad valorem import duties on foodstuffs were reduced to 12½ per cent. At the same time, it has been possible to resume capital expenditure on public works which previously had of necessity been deferred.

An important contribution to the improved position of Sierra Leone has been the increased exports of palm oil and palm kernels.

In this connection it is significant that, whereas the average price paid in the European market throughout the year for palm kernels was only moderately good, the quantity exported from Sierra Leone was greater in 1923 than in any other year in the history of the Colony.

The very real improvement in the financial position is clearly indicated by the conversion of an overdraft with the Crown Agents of £110,000 at the beginning of 1922 to a surplus of £115,000 in March, 1924.

Public Debt.

The funded debt of the Colony at the end of December, 1923, was £1,729,848.

Revenue and Expenditure.

Revenue.—The revenue for the year 1923 amounted to £845,319, as compared with £786,540 in 1922, and exceeded the original estimate by £81,794.

Expenditure.—The expenditure for the year 1923 amounted to £727,661, compared with £816,977 in 1922. Public Works Expenditure representing capital improvement is much below pre-war figures.

4(b) Taxation.—Direct taxation in Sierra Leone takes the form of hut and house taxes. The following tables show the proportion in percentages of the revenue derived from direct and indirect taxation for the years indicated :—

	By direct taxation. Per cent.	By indirect taxation. Per cent.
1913	9·7	90·3
1915	12·9	87·1
1919	7·8	92·2
1921	13·3	86·7

Since 1916 a certain proportion of the Customs revenue is represented by export duties.

4(c) Imports.—The following is a summary statement of the value of imports into Sierra Leone from each country by classes during the year 1923, with a comparison of the total imports from those countries in 1913 :—

—	Food, drink and tobacco.	Raw materials and articles mainly unmanufactured.	Articles wholly or mainly manufactured.	Total imports, 1923.	Total imports, 1913.
	£	£	£	£	£
Total...	356,905	166,526	1,136,110	1,949,981	1,750,303
Countries of Consignment :					
United Kingdom	143,788	124,324	996,755	1,456,799	1,138,683
Nigeria	1,508	1,860	6,933	10,361	44,463
United States ...	143,784	28,287	13,477	185.548	54,055
Germany ...	15,330	1,449	44,503	61,282	174,191
France	21,387	274	23,481	45,142	18,139
Holland... ...	9,397	2	31,049	40,448	89,634

The great bulk of the import trade of Sierra Leone is with the United Kingdom, which has obtained a greater percentage of the total trade than in the pre-war year of 1913.

The share of the trade now enjoyed by the United States of America is considerably greater than in 1913, while Germany is a long way from reaching her pre-war figures.

The following is a comparative statement of the imports into Sierra Leone of the more important commodities in years prior and subsequent to the war :—

Articles.	1913.	1920.	1921.	1922.	1923.
	(£1,000's.)				
Ale	13	46	22	23	22
Flour	23	116	38	33	30
Provisions	34	62	28	19	11
Sugar	12	38	18	13	16
Cigarettes	9	18	19	18	18
Tobacco, unmanufactured ...	63	147	91	102	107
Coal, coke and fuel	48	666	203	92	120
Oil, kerosene	17	62	34	19	21
Apparel	11	51	28	36	67
Bags for exportation of West African produce	21	56	23	25	38
Boots and shoes	11	24	5	6	12
Cement	21	21	22	9	25
Drugs and medicines	8	17	13	9	10
Chinaware and earthenware ...	8	11	8	4	3
Cotton piece goods	267	576	222	356	394
Hardware	19	48	29	20	31
Matches	3	10	3	6	7
Perfumery and toilet articles...	17	40	12	10	15
Telegraphic materials	23	9	56	20	64
Woollen manufactures ...	29	49	12	5	10

The United Kingdom has captured practically the whole of the trade in coopers' stores. In cotton blankets, the Continental product holds the market. The imports of German cutlery in 1923 exceeded those from the United Kingdom, the pre-war position being unchanged. In flour, the natural advantages possessed by the United States have enabled that country to become the principal source of supply. This country still supplies the bulk of the colony's imports of hardware. In matches, the direction of trade has changed very little, Germany being the chief source of supply. In perfumery and toilet articles, Germany easily held first place in 1913, but in 1923 the United Kingdom share of Sierra Leone's imports was nearly three times that of Germany. In sugar, the United States now enjoy a large share of the trade.

4(d) Exports.—Except for a small quantity of iron ore worked by the natives, there is no mining in the Protectorate, and there are no machine-produced manufactures, although there are certain handicrafts such as baskets and basketware and fancy leather work. The native carpenter is skilful, and little furniture

needs to be imported. The following table shows the principal exports from the Colony for the years indicated :—

—	Quantities.				
	1913.	1920.	1921.	1922.	1923.
Ginger ... cwt.	40,948	28,640	11,200	26,605	27,905
Pepper ... lbs.	19,517	71,680	67,200	278,516	328,188
Kola nuts ..: lbs.	4,178,040	5,951,680	5,691,676	6,044,926	5,698,703
Palm kernels tons	49,201	50,425	40,409	49,029	59,545
Palm oil ... tons	617,088 (gallons)	2,066	191	2,076	3,346
Piassava ... tons	839	657	742	1,355	1,620

The kola exports for the years 1912-21 represented in value between 20 and 30 per cent. of the total of the Colony's exports, but dropped in 1923 to 14 per cent., the actual price obtained (£4 6*s*. per measure of 176 lbs.) being the lowest recorded for 14 years. In spite of this, the production of this commodity has been very stable since the war, and shows a considerable increase on 1913. The quantity of palm kernels exported during 1923 constitutes a record. Of these exports the United Kingdom absorbed 97 per cent., the remainder going to Germany.

The following table shows the distribution of Sierra Leone domestic exports according to countries of destination for the year ended 31st December, 1923 :—

—	Food, drink and tobacco.	Raw materials and articles mainly unmanufactured.	Total produce exported.	Total for 1913.
	(£1,000's.)			
Total	60	1,280	1,347	1,376
Countries of final destination :				
United Kingdom ...	11	1,044	1,055	213
Gambia	1·7	85	87	103
Nigeria	·4	43	44	·9
Germany	—	38	38	821
Senegal	—	52	52	199
United States ...	47	5	52	—

The diversion of the export trade in palm kernels from Germany to the United Kingdom accounts for the huge drop in total exports to Germany from Sierra Leone between 1913 and 1923. This diversion was brought about by the war and the consequent development of the oil-crushing industry in the United Kingdom.

In 1919 a rebate of £2 per ton was allowed off the export duty if the kernels were crushed in the United Kingdom. This provision, however, was repealed in 1921.

5. GAMBIA.

5(a) Finance.—The break in the market following the inflation period of 1920 fell with particular severity on Gambia, with its small population (210,530). The effects were accentuated by the reorganisation of the currency in 1922. This measure was recommended in 1916. At that time it could have been carried out without loss, but it was not proceeded with owing to the protests which the withdrawal of a customary and popular form of currency evoked. Owing to the fall of the French exchange, the demonetisation of the 5-franc coinage involved the Colony in a loss of £187,000, representing nearly a year's total revenue. This loss necessitated the adoption of a policy of retrenchment, including the temporary suspension of public works schemes, such as the extension of the Government Wharf and the Bathurst electric light scheme.

Normal conditions are being gradually restored, and the deferred capital improvements are now being proceeded with.

The following statement shows the Revenue and Expenditure for the five years to 1923 :—

Year.	Revenue.	Expenditure.
	£	£
1919	180,585	143,451
1920	268,788	171,160
1921	183,201	225,461
1922	204,244	430,312
1923	407,581	211,316

The ordinary revenue for the year 1923 amounted to £229,688, to which has been added the demonetisation loan of £177,893.

5(b) Taxation.—Specific duties are imposed on spirits, tobacco, matches, motor vehicles, etc. Certain commodities, such as footwear, cotton goods, jewellery and perfumery, are subject to a 10 per cent. ad valorem duty; while there is a general ad valorem rate of 7½ per cent. on all other goods not subject to specific duties and not included in the free list (which includes such commodities as machinery, scientific and surgical instruments, wire and iron fencing, agricultural implements, food and drink not mentioned in the Tariff, etc.).

In 1923 the revenue from import duties amounted to £101,525, and from export duty on ground nuts to £62,645, making a total of £164,170.

5(c) Imports.—Summary statement of the value of imports into the Colony of the Gambia, from each country by classes,

during the year ended 31st December, 1923, with total imports for 1913 :—

—	Food, drink and tobacco.	Raw materials and articles mainly unmanufactured.	Articles wholly or mainly manufactured.	Total imports including bullion and specie.	1913.
			(£1,000's.)		
Total	207	134	426	813	1,091
Countries of consignment :					
United Kingdom	49	13	356	444	387
Sierra Leone...	3	104	·6	109	93
France ...	62	3	36	103	505
Germany ...	45	·9	7	54	63
Holland ...	5	·1	13	18	13
United States	30	9	1	41	17

Summary of the principal articles imported into the Colony of the Gambia during the five years ended 31st December, 1913, to 31st December, 1923 :—

—	1913.	1920.	1921.	1922.	1923
			(£1,000's.)		
Total imports	1,091	2,710	924	862	813
Articles :					
Flour, wheaten	7	41	15	12	15
Rice	63	329	57	60	70
Sugar	19	65	13	16	23
Kola nuts	91	285	142	122	104
Boots and shoes	7	18	5	2	4
Cotton piece goods ...	202	682	114	150	232
Cotton manufactures		117	30	27	43
Cotton yarn		64	17	21	28
Hardware	27	56	21	12	14
Perfumery	4	13	3	2	2
Specie...	472	336	242	208	23

The imports of hardware, boots and shoes were much less in 1923 than in 1913, while textiles show an increase in value.

A study of the competitive situation shows that France, the principal competitor of the United Kingdom in the market, has not yet regained her pre-war share of the trade in empty bags, hardware, hats and caps, perfumery, sugar or tobacco (manufactured). The United Kingdom has more than maintained her share of the market for cotton piece goods, etc., and also enjoys a considerably increased trade in wearing apparel, hats and caps, sugar and manufactured tobacco.

5(d) Exports.—Summary statement of the value of total exports from the Colony of the Gambia to each country during the years ended 31st December, 1913 and 1923 :—

	Total exports 1923, including bullion and specie.	Total exports 1913.
	(£1,000's.)	
Total	899	867
Countries to which exported :		
United Kingdom	440	62
Belgium	39	—
France	343	428
Germany	62	162

The trade diverted from France to the United Kingdom during the war is gradually returning. In 1913 only 7 per cent. was consigned to the United Kingdom; in 1919 the proportion was 72 per cent.; in 1922, 59 per cent.; and in 1923, 49 per cent.

The total value of Gambia's export of ground nuts for 1923 (£851,000) was considerably in excess of 1922, notwithstanding the fall in prices.

BRITISH EAST AFRICA.

Population :

Kenya	2,529,000	(approx.)
Uganda	3,127,000	,,
Zanzibar	197,000	,,
Tanganyika Territory ...	4,125,000	,,

British Trade Returns. Merchandise only.	1923. Kenya, Uganda, Zanzibar and Tanganyika Territory. (£1,000's.)
U.K. exports to British East Africa	2,781
U.K. re-exports to British East Africa ...	64
U.K. imports from British East Africa ...	3,067

Trade Returns of the British East African Colonies.	1923. (£1,000's.)
Total imports (excluding bullion and specie)	6,195
From United Kingdom	2,587
Percentage from United Kingdom	41·8%
Total domestic exports (including bullion and specie) ...	6,284
To United Kingdom	2,710
Percentage to United Kingdom	43·1%

NOTE.—Trade between the British East African Colonies has been excluded from the total figures.

Currency.—In Kenya, Uganda and Tanganyika Territory the standard coin is the shilling, divided into fifty cents. In Zanzibar the Indian rupee is the standard unit.

1. GENERAL.

The four East African dependencies covered by this Survey are the Colony and Protectorate of Kenya, the Protectorate of Uganda, the Protectorate of Zanzibar and Tanganyika Territory. The immense area covered by these Colonies is often forgotten, and but little attention is paid to their practically untouched resources. The total area is approximately 750,000 square miles, and this vast territory, though at the present time from the actual traders' viewpoint it may appear quite insignificant when compared with other trade areas, has latent wealth in forestry, agriculture and minerals which offers the possibility of very great industrial expansion and trade. With proper attention it should become a great source of supply of foodstuffs and raw materials for United Kingdom manufacturers, and in return should be a market for their manufactured products. Emphasis must be placed, on the necessity of agricultural development and the exploitation of other natural resources, as it is only by such an increase in the wealth of the territory that the inhabitants will be able to purchase United Kingdom manufactured goods.

Kenya Colony and Protectorate are administered by a Governor, with the aid of Executive and Legislative Councils. Uganda, whilst its native kings and chiefs are encouraged to conduct their own government, is, in general, under the direct administration of a Governor and Executive and Legislative Councils. In Zanzibar, the administration is more complicated, as there is a Native Sultan, a High Commissioner, who is the Governor of Kenya, and also a British Resident. Legislation consists of certain British and Indian statutes and decrees of the Sultan, and there is a Council for the Protectorate which exercises functions of an advisory and consultative nature. Tanganyika Territory passed under effective British civil control early in 1919, and is administered under mandate of the League of Nations by a Governor, assisted by an Executive Council. During the last decade the territory has experienced considerable difficulties. It was plunged into war in 1914, and is only now beginning to resume its pre-war activities. The whole area, and more particularly Kenya, was vitally affected by the war and by the subsequent world depression in trade, and it is only during the last two years that the latent strength and recuperative capacity of the area has enabled it to show signs of realising its pre-war promise. Politically, apart from the war, the decade has been undisturbed by any troubles of importance, with the exception of the one question of vital importance which arose in Kenya, namely, the rights of immigrant Indians, particularly in relation to the Europeans

and natives. At an early stage in the administration of Kenya it appeared that Europeans could live in the highlands and develop the rich resources of the country, and as a result in a few years white settlers began to be heard and felt in Colonial affairs; Colonists' Associations were formed, Chambers of Commerce with European officers were established, and banks and newspapers under European control were started. In 1921 the number of British colonists was approaching 10,000, whilst there were over 20,000 Indians and 10,000 Arabs. A controversy broke out between the British settlers and the Indians on the question of relative racial status, the Indians demanding full political equality, with no race segregation or immigrant restrictions. This was opposed by the white settlers. A conference was held at the Colonial Office, as a result of which communal representation of races was instituted, and the reservation of the highlands for European residents was continued. Restrictions on immigration were to be purely on an economic basis, with strict regard to the interests of the whole population, and, particularly, to the protection of the native.

2. FINANCIAL.

2(a) General Financial Position.—Financially the situation of the whole area shows very considerable improvement; Uganda is in a very satisfactory position, thanks to her cotton industry, as also is Zanzibar with her practical monopoly in the production of cloves; Kenya, however, after very severe depression, added to currency troubles, following the war, is financially in a less satisfactory state.

Comparison of Tanganyika Territory with the other territories is hardly fair, for, not only has it suffered nearly five years of war, but for the first one or two years after civil administration under the mandate was in force, cleaning up and putting the territory in order was really all that could be accomplished. None the less, the last 18 months have witnessed a very welcome improvement. As a sign of the growing spirit of co-operation in the whole area, it may be noted that in January, 1923, the customs tariff in use in Kenya and Uganda was applied to Tanganyika Territory. At the same time a reciprocal agreement was made between the three territories whereby goods which were the produce or manufacture of any one of the three are allowed free entry into the other two. Zanzibar does not need to rely on customs duties for the main part of its revenue, but maintains an import tariff on the basis of 10 per cent. ad valorem.

2(b) Credit Position.—With regard to the whole area, it may be said that a return towards normal conditions and a feeling of security and confidence have been marked during the last 18 months, but money is still in many cases very tight. The various governments have encouraged export trade through the

remission of export duties and the granting of low railway freights on produce for export; and these steps have undoubtedly brought about a better condition of affairs, and, generally speaking, have helped to sustain the volume of trade. None the less, it is necessary to remember that the area is very largely undeveloped; its chief import trade is in goods for native consumers with a low purchasing capacity.

In primitive agricultural countries in which there are long distances between the port of arrival and the ultimate consumer, some form of credit to finance the movement and sale of goods is obviously necessary. In pre-war years credit conditions on the East African coast were very loose; 90-120 days, and even extensions of those terms, were easily obtained. Since 1919, however, efforts have been made to restrict such extended credit, but recently a tendency to revert to the old long credit terms has been noticeable, one of the primary causes being the reappearance of German businesses on the coast. The Germans are making every effort to re-establish themselves, and in existing conditions the granting of long credit is one of the surest means of doing so.

3. DEVELOPMENT OF NATURAL RESOURCES.

3(a) Cotton.—Cotton growing in Uganda is a native industry, the crop being produced by thousands of native peasants, cultivation by Europeans and Asiatics being negligible. Speaking generally, this system of native cultivation appears to yield good results. The quality of the cotton is excellent, and commands a premium of from 1½d. to 2d. per lb. on middling American. Given increased transport facilities, so that new districts can be opened up, Uganda should eventually produce 500,000 bales. The crop produced in 1922-23 exceeded 80,000 bales, and the following crop was about 137,000 bales. The 1924-25 crop will amount to 160,000-180,000 bales.

In Tanganyika cotton production is being fostered, and the territory is at present producing a crop of about 10,000 bales, the quality of the cotton being practically equal to that of Uganda. There seems little doubt that production can be very largely increased. Exports in 1923 were valued at £177,710.

In Kenya cotton growing is in its infancy; but steady progress is being made with a scheme for cotton growing in the Kavirondo district, near Lake Victoria. The proposed extension of the railway into this area will materially facilitate this.

3(b) Coffee.—The production of coffee is rapidly increasing, Kenya, Uganda and Tanganyika all contributing to the export of coffee, which in 1922 exceeded the 200,000 cwt. mark. The value of the exports from Kenya and Uganda in 1923 was £620,897, whilst that from Tanganyika was £204,987. The rapid progress of this industry is shown by the fact that the

value of the exports from Kenya and Uganda has increased from £62,000 in 1913 to the above figure. Fairly high values have been obtained for East African coffee, and it has established its marks and grades in various overseas markets.

3(c) Sisal.—The production of Sisal, which, during the after-war depression, decreased considerably, has again increased, the production in Kenya in 1923 being nearly 9,000 tons, of a value of £236,000. Tanganyika, which is the biggest producer of this commodity, showed in 1923 a production of nearly 13,000 tons, of a value of £367,228.

3(d) Maize.—This crop, which is regarded as a staple product in Kenya and Uganda, has shown a remarkable increase. The total export of roughly 394,000 cwts. in 1922 has increased to over 874,000 cwts. in 1923, and there seems every reason to anticipate a further marked increase. The importance of the crop has been recognised, and steps have been taken to ensure standards of quality by means of grading regulations, which are now in force under Government control.

3(e) Other Products.—Other products of the territories, of less importance, are flax, rubber, oilseeds, wheat and other grains, hides and skins. The question of developing the dairy industry has engaged the attention of the Government of Kenya, and it has been decided to provide cold storage plant at Mombasa.

In Zanzibar cloves are a product of outstanding importance, and a considerable trade is done in copra. The returns for 1922 showed that cloves exported from Zanzibar amounted to 186,624 cwts., against an export of 167,296 cwts. in the previous year and an average annual production of roughly 150,000 cwts., whilst 1923 produced a record crop exceeding 200,000 cwts. The Government of Zanzibar recognises the importance of careful supervision of this industry in order to ensure that regular standards of quality shall be observed, and has taken steps to inquire into the industry as a whole. The copra trade includes the annual importation of good quality copra from Mafia and the Tanganyika Territory mainland, part of which is used in the local oil-crushing and soap manufacturing industries and part for bulking with the inferior quality copra produced in the Protectorate. The value of the export in 1923 was about 34 lakhs of rupees, and represented an increase of more than 35 per cent. over the value of the preceding year's exports.

3(f) Carbonate of Soda.—Exports from Magadi showed a return for 1923 of a value of over £140,000, but work on this soda deposit has since been reduced.

3(g) Sugar.—Amongst other local industries may be noted sugar refineries, which have recently started operations in Kenya

and Uganda. Both these territories are rich in potential sugar-growing lands, and when these factories, and possibly others, come into full production, there should be a surplus for export.

A factory for the production of wattle extract is in operation, and a brewery has been erected.

3(h) Communications.—In the opening up of an area such as this, communications are, of course, a main essential. Kenya Colony and Uganda are served by an efficient railway service running from Mombasa to Lake Victoria, connection with Uganda being maintained by a steamship service on the lake. This railway has already several extensions feeding the highlands, and recently a grant of £3,500,000 has been made to the territory for further extensions, one of which is to pass through the Eastern Province of Uganda and to join the existing small railway to the North of Jinja. This extension will materially assist the export of Uganda cotton, and will open up further lands for cotton production. Similarly, another extension will probably pass through the North Kavirondo district of Kenya Colony, with a view to opening up that area as a cotton producing country. The finances and management of the railway as a whole have been thoroughly reorganised, with highly successful results; and, in view of the anticipated large increase in traffic to be handled, very extensive work is being carried out in the harbour at Kilindini. Harbour improvements are in progress in Zanzibar, and also in Dar-es-Salaam. Dar-es-Salaam is fed by the Central Railway, which passes through Tanganyika Territory from Dar-es-Salaam to Kigoma on Lake Tanganyika. With regard to this Central Railway, considerable difficulty has been found in up-keep, etc., as the produce of the country does not at present make the railway a paying proposition. Various extensions are, however, now under consideration in connection with a general improvement scheme and with a view to the opening up of the country, and a branch to Kahama is expected to be opened in July, 1925.

3(i) Future Prospects.—To sum up the general position of the whole area at the present time, it may be said that, though commercial expectations have not been completely fulfilled, much has been done during the last two years. The easier political situation in Kenya should give capital more confidence and a better opportunity for enterprise. As a consequence, it may be anticipated that there will be a marked extension of the areas under crop cultivation in Kenya. The Uganda cotton crop is increasing year by year, and there has been a rapid growth of exports of native produce from Tanganyika.

4. EXTERNAL TRADE.

4(a) Exports.—The chief features of the export trade have been mentioned, but the following comparative tables may be of interest.

Kenya and Uganda.—The following figures show the combined domestic exports from these two territories, including domestic exports to Zanzibar and Tanganyika Territory.

Year.	Value.
1912	£710,744
1913	£848,312
1922	£2,780,998
1923	£3,996,432

The value of exports of domestic produce is highly satisfactory; the main increase is in cotton, which shows an advance of nearly £900,000 in 1923 as compared with 1922. Coffee and maize are also very satisfactory, and show big increases over the previous year.

Tanganyika.—The following table shows the quantities of domestic produce exported during the last two years of the German rule and the last two years under British rule. Figures of quantity in this case are more instructive than figures of value.

Article.	1912.	1913.	1922.	1923.
Sisal ... ... tons	17,079	20,834	10,224	12,845
Cotton ... ... centals	41,395	49,101	34,593	32,912
Hides and Skins ... cwts.	58,886	69,120	30,372	41,370
Copra ... ... tons	4,241	5,477	4,771	6,669
Coffee ... ... cwts.	31,508	21,180	85,426	80,937
Groundnuts ... ... tons	6,078	8,961	12,518	16,508
Ghee ... ... cwts.	6,608	6,605	7,605	7,892
Grains ... ... cwts.	60,958	44,640	378,233	235,723
Beeswax ... ... cwts.	6,932	11,180	6,656	6,039
Simsim ... ... tons	1,881	1,476	2,778	4,435

Zanzibar.—The following table shows the imports and exports during the last few years, and indicates the state of prosperity which the Island, owing to her clove industry, enjoys :—

Year.	Total Imports. £	Re-exports. £	Domestic Exports. £
1920 ...	2,738,095	1,715,341	1,295,839
1921 ...	2,149,669	957,548	1,207,086
1922 ...	1,893,612	908,876	1,118,814
1923 ...	1,942,976	774,063	1,506,340

4(b) Imports and Competitive Situation.—*Kenya and Uganda.*—Of chief importance to the United Kingdom in the imports into these territories is cotton piecegoods, which in 1923, at a value of £1,300,859, represented nearly one-third of the total imports of merchandise on private account. The following table

shows the total value of cotton fabrics imported for home consumption and the relative percentage of all cotton fabrics from different countries for the periods 1920, 1922 and 1923 (1921 was a broken period during which the ending of the statistical year was changed).

Countries whence imported.	1920.		1922.		1923.	
	£	%	£	%	£	%
United Kingdom ...	253,414	34	212,065	28	347,285	27
India and Burma ...	327,764	43	172,429	23	317,755	24
Germany	—	—	5,118	1	13,278	1
Holland...	10,621	2	68,794	9	185,149	14
Japan	40,542	5	200,476	26	306,311	24
U.S.A.	111,674	15	75,959	10	91,131	7
All other countries ...	3,599	1	23,463	3	39,950	3
TOTAL	747,614	—	758,304	—	1,300,859	—

Imports of cotton piecegoods are mainly for native consumption, and the prosperity of the native population is shown by the large increase in this trade. The principal item under the heading of cotton piecegoods is unbleached cloth, and in this trade Japan continues to maintain progress, having supplied unbleached goods to the value of £269,308, or 56 per cent. of the total trade in this class of goods in 1923, as compared with only £38,028, or 8 per cent. of the total in 1920.

Even in 1920 the United Kingdom had only 6 per cent. of the trade in unbleached goods, the bulk then coming from India. The United Kingdom predominates in bleached, printed and dyed goods, our proportion of the total imports in these three classes of piecegoods being 79 per cent., 81 per cent., and 62 per cent. respectively in 1923.

In machinery (including agricultural and industrial machinery) the United Kingdom holds the major portion of the trade, America and Germany being our nearest competitors, though a long way in the rear. As regards vehicles, America holds the trade in motor cars and lorries, with the United Kingdom second; but in motor cycles and ordinary bicycles the United Kingdom has nearly a monopoly. In iron and steel, 76 per cent. of the trade is with the United Kingdom; but in cutlery, hardware, etc., that is to say, in goods suitable for the native trade, 40 per cent. of the trade comes from Germany, with Great Britain's share 47 per cent.

The following table, showing the distribution of the import trade among the various countries during the two pre-war periods and the last two years, is of interest. Imports on Government account and goods in transit or transhipment are excluded.

Countries of Origin.	1913. (%)	1914. (%)	1922. (%)	1923. (%)
Great Britain	40·0	42·3	43·6	39·1
British Possessions	21·3	20·2	24·9	29·6
TOTAL British Empire	61·3	62·5	68·6	68·7
Foreign Countries :—				
Austria	1·7	3·1	0·2	0·1
France	1·4	1·4	1·1	0·8
Germany	8·7	9·0	1·8	2·9
Holland	5·7	4·7	3·9	5·8
Italy	3·1	1·6	0·5	0·5
Japan	0·4	0·4	7·6	7·8
U.S.A.	9·4	8·6	6·3	6·3
Other Foreign Countries	8·3	8·7	10·0	7·1
	38·7	37·5	31·4	31·3

Tanganyika.—The values of imports of merchandise during the last three years were as follows :—

1921	£1,426,125
1922	£1,386,212
1923	£1,799,038

Of the figures for 1923, 89 per cent. represented goods from the British Empire, of which 29·7 per cent. came from the United Kingdom. The chief competitors outside the British Empire were Germany, with 4·7 per cent. of the trade, mainly iron and steel, hardware, etc.; Holland with 1·9 per cent., mainly cotton piecegoods; and the U.S.A. with 1·1 per cent., chiefly oils. These figures do not express the competition experienced in cotton piecegoods, not only from British India, but with Japan, Holland and Germany, as a great proportion of these goods arrive in the territory from either Kenya or Zanzibar.

The year 1923 may be taken as a fair reflex of the conditions in Tanganyika Territory, and it will be noted that it shows a welcome improvement over previous years. The excellent figures for domestic exports are sure evidence that the policy adopted to encourage native production is a sound one, and increased native production means increased native consumption.

Zanzibar.—The chief item in the import trade in this territory of interest to the United Kingdom is also cotton piecegoods, and the following are the figures for the last three years :—

1921.	1922.	1923.
£414,000	£430,000	£532,000

It will be noted that 1923 showed an increase of 24 per cent. over previous years, an index of the prosperity of the island following the success of the clove harvest. Of these imports, the United Kingdom supplied a large proportion, viz. : bleached.

53 per cent.; printed, 58 per cent.; and dyed, 67 per cent. Other important contributions were bleached, from Holland and India, to the extent of 19 per cent. and 12 per cent. respectively; unbleached, India and Japan, 50 per cent. and 43 per cent. respectively; printed, Holland, 25 per cent.; and dyed, India, 18 per cent.

In 1923, Zanzibar imported goods to the value of £408,000 from the United Kingdom, chiefly cotton piecegoods, printed, dyed and bleached; goods to the value of £480,000 from India, chiefly rice and cotton piecegoods, unbleached and dyed in the piece; from Holland, £102,000, and from Japan, £72,000, chiefly cotton piecegoods; from Java, £75,500, all of which was sugar; and £57,000 from Germany, chiefly miscellaneous articles, beads and iron and steel manufactures.

GROUP 8.—BRITISH INDIA, CEYLON & MALAYA.

BRITISH INDIA.

	1901	1911	1921
Population ...—	294,317,082	315,110,231	318,885,980

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
United Kingdom exports to British India...	40,641	70,273	86,246
United Kingdom re-exports to British India	903	1,397	1,096
United Kingdom imports from British India	36,040*	48,420	66,950

* 1905; total for 1904 included Straits Settlements and F.M.S.

Indian Trade Returns. Merchandise (Sea Borne).	1904–05. (1,000 rupees.)	1913–14. (1,000 rupees.)	1923–24.† (1,000 rupees.)
Total imports...	104,41,27	191,30,80	227,61,13
Imports from United Kingdom ...	70,31,38	125,08,43	131,60,43
Percentage from United Kingdom	67·3%	65·4%	57·8%
Total exports...	157,72,21	249,00,75	348,83,61‡
Exports to United Kingdom ...	43,16,02	58,38,84	86,44,84‡
Percentage to United Kingdom ...	27·4%	23·4%	24·8%

† Private account only. ‡ Indian Merchandise only

Currency.—The unit of currency is the rupee. The par rate of exchange is nominally 1 rupee = 2*s.*, at which rate it was fixed in September, 1920. Prior to that the par was 1 rupee = 1*s.* 4*d.* The annual average rates of exchange during the past five years have been as follows :—

	s.	*d.*		*s.*	*d.*
1920	2	0·322	1922	1	3·627
1921	1	4·186	1923	1	4·351
			s. *d.*		
			1924	1	5·295

1. FINANCIAL STABILITY.

At the beginning of the war almost the whole of India's debt represented productive outlay on railways and irrigation, normally yielding a return considerably in excess of the interest which she had to pay on the amount borrowed (including the interest on the small amount of debt which could be described as unproductive). Unfortunately it was not possible during the decade to maintain this satisfactory state of affairs. One of the most important consequences of the administrative reorganisation under the Reforms Scheme was the complete separation brought about between the finances of the Central Government and those of the various Provincial Governments. Since that separation, the local Governments, like the Government of India, have suffered a period of financial stress. India differs from many other countries in that a large proportion of the revenues of Government is derived not from direct taxation, but from such sources as land, customs, opium, railways, forests, and irrigation. As a natural consequence, since India is, in the main, agricultural, the revenues of the country are always predominantly influenced by the character of the season. The war entirely disorganised the normal course of Indian finance, and, as a result of this disorganisation, India, inasmuch as she was able to sell less, could buy less, and this decrease of trade seriously affected sources of revenue. Moreover, the great rise in prices enormously increased the cost of administration, and at the same time left India faced with the necessity of incurring heavy expenditure in order to restore the railways and other public services which had suffered some deterioration during the war. Deficits in successive post-war budgets increased taxation, until customs duties and income tax reached comparatively high levels. Drastic economies in expenditure were carried out on the recommendation of the Retrenchment Committee under Lord Inchcape, and the Budget of 1923-24 was balanced, a result which had not been obtained since 1917-18.

India's credit has bettered in the London market, and she is now in a position to borrow there on approximately a 5 per cent. basis, which may be considered satisfactory. The exchange value of the rupee showed, on the whole, a distinct improvement during

1924, the average rate being 1*s*. 5·3*d*., compared with 1*s*. 4·3*d*. in 1923; the rate at the close of the year had reached 1*s*. 6·1*d*. Her currency is secure, and the metallic reserve of silver seems ample to maintain the convertibility of her paper. Further evidence of India's general financial stability is provided by the success of her rupee and sterling loans.

It must not be forgotten that the extraordinary commercial boom which took place in India as the result of the large credit raised by the heavy sales of India's products immediately after the war, during which exchange rose above 2*s*. 10*d*., was followed by a disastrous slump lasting over two years. During this slump exchange fell to a rate below 1*s*. 4*d*., its former parity; Indian dealers repudiated their contracts broadcast; immense quantities of stock were left upon the hands of the shippers; and the market became disorganised and many of its dealers discredited. The recommendation of a Government Committee on currency, at the beginning of the boom, for the establishment of the gold exchange system on the basis of one rupee to two shillings gold, exchange then being at about 2*s*. 6*d*. sterling, was subsequently urged as an excuse by dealers, who declared that Government had *guaranteed* an exchange of 2*s*. The credit of the market undoubtedly suffered as a result of these events, and the widely held belief that many of the repudiations by Indian dealers were deliberate, and not necessitated by financial difficulties out of their own control, has caused many old-established firms, fully accustomed to Indian trade, to alter their methods when dealing with Indian firms at the present time.

2. INDUSTRIAL POLICY.

With the turn of the century India, following a period of famine and plague, really began to advance. The rupee was stabilised, considerable progress was made with the railways and irrigation, and the output of coal and mineral oil increased. Indian trade expanded rapidly from that point until the outbreak of war, and in 1913 was just double what it had been in 1901. Whilst the years immediately preceding the war witnessed a great effort on the part of India towards industrialisation, the war, after a temporary setback, gave added stimulus to the movement and brought about within a few years results which might otherwise have taken a generation to mature. When war broke out, it was found that practically every industry in the country was dependent upon overseas supplies, not only for its machinery and plant, but also for the stores and materials used in its daily working. In consequence, substitutes had to be rapidly improvised. The progress made, even in the early days of 1915-16, was satisfactory. At the end of the war, in accordance with the recommendations of the Indian Industrial Commission, it was proposed to form an Imperial Industries Board. The terms of the Reforms Scheme, however, necessitated modification of the original plans, since, under the scheme, the

fostering of industries became a "transferred" subject, and Industries Departments were established in each Province. The executive head of each of these Departments is the Director of Industries, who is given general charge of the development of industries within his Province, and is responsible for the encouragement of research and for the collection and distribution of industrial intelligence. In addition, the Ministers of Industry are empowered to give cash grants or loans to any industry within the province. Generally speaking, assistance to domestic industries follows the recommendations of the Indian Industrial Commission and includes the provision of peripatetic weaving parties, labour saving devices, and plant for auxiliary power factories, etc.; in the case of large, organised industries, it extends to scientific research by Government, the loan of experts and provision of accurate information; whilst for small organised industries, competent technical assistance may be provided, together with assistance in maintenance of plant. Furthermore, the question of labour and the collection of statistical information with regard to wages, hours, etc., and the conditions in factories have been under discussion. As a result of these deliberations, the Indian Factories Amendment Act, 1922, was passed, the principal features of which were limitation of the hours of work, the raising of the age limit for children, and an extension in the definition of a factory, bringing within the scope of the Act any premises employing not less than 20 persons in any one day in the year. A Workmen's Compensation Act has also been placed upon the statute book.

Two steps of outstanding commercial importance which have been taken are, (1) the inauguration of an Indian Stores Department in India, together with the promulgation of rules regulating the supply of plant and materials for Government requirements, and (2) the appointment of the Indian Fiscal Commission, followed by the Indian Tariff Board and the latter's recommendations for the grant of protection to the steel industry in India. These recommendations have since been embodied in a Bill, which has received the assent of the Viceroy, granting practically all the protection advocated.

2(a) Government Purchases in India.—With regard to the Stores Department and Rules, both the Indian and the non-official European members of the Legislature have determined that, if possible, all purchases of stores for Government requirements shall in future be made in India, and that all tenders shall be called for in India and in rupees. This policy has been confirmed by the Government of India to some extent. The revised Stores Rules give the newly organised Indian Stores Department at Delhi or Simla more powers to purchase from stocks held in India, or in the course of shipment. They also sanction purchases of machinery and plant from the Indian branches of British manufacturers, or from their technical

agents. There seems to be little doubt that the new Indian Stores Department will rapidly increase in importance, and that the centre of purchasing influence, so far as imported stores are concerned, will be transferred from London to India. It is probable that some form of organisation in London will always be required, in order to keep in touch with world practice in engineering; but, none the less, the new system of purchase will call for some modifications of policy on the part of British suppliers.

2(b) Protection.—Since the granting of fiscal autonomy to India, as a result of the Reforms Scheme, an insistent demand has arisen for a protective tariff. The events leading up to the appointment of the Indian Fiscal Commission, and to the acceptance by the Government of India, in 1923, of a policy of discriminating protection, need not be set out here: it will suffice to record that, on acceptance by the Government of India of this policy, the Indian Tariff Board was appointed to examine, within certain well defined limits, the question of extending protection to the manufacture of steel in India. The Tariff Board made it perfectly clear that they would not recommend any increase of duty on articles which could not economically be manufactured in India. Moreover, they stated unequivocally that the degree of protection which they were prepared to recommend would not exceed the difference between the cost at which they were satisfied that it was possible to manufacture in India and the normal cost of imported articles of the same kind. None the less, their report recommended a scale of duties which gives complete protection to certain Indian productions, as against the importations of foreign (and this includes British) competitors. The manner in which the Board's first enquiry was conducted gives ground for confidence that subsequent investigations will be conducted with due regard to all the interests involved, and particularly to the well-being of the community.

A Bill to carry out the recommendations of the Tariff Board, and to provide for the fostering and development of the steel industry in India, was introduced at a special session of the Legislature in May, 1924, and, being passed with very slight modification, came into force on June 13th. The protection of iron and steel is a matter of vital concern to British manufacturers, and will without doubt adversely affect our trade with India in the articles concerned. The Board estimated that by 1926-27 the imports of the classes of iron and steel affected would be reduced from 581,000 tons to 363,000 tons, while Indian production would be increased from 46,000 tons to 264,000 tons.

It must be remembered that, even though the Tariff Board recommend protection for other industries, and the Government of India are prepared to embody their recommendations in a Bill, such a Bill must always be passed by the Indian Legislature before it can become operative. The recent debates on the Steel Industry (Protection) Act clearly showed that the Assembly is by no

means unanimously protectionist in sympathy. The Steel Bill was passed with little difficulty, as the Tata Iron and Steel Works are regarded with pride as the largest purely national industrial effort which India has made. But this sentiment will not be so strong in the case of minor industries, particularly those which are mainly owned and managed by Europeans. It is likely that the applications of those industries, with perhaps less claim to protection, will meet with much keener opposition. The number of industries which would satisfy the conditions entitling them to a claim for protection is limited, while important industries, such as cotton, jute and tea, do not require protection. The Government of India are not likely to sanction any extreme measure of protection, relying as they do on import, export and excise duties for a large part of their revenue. Furthermore, the responsibility for protecting the interests of the vast body of agriculturalists, who are the backbone of the country, and whose greatest need is cheap clothing, etc., still rests with the Government.

The interests of the cultivator are directly opposed to those of the industrialist in this matter, and, since over 70 per cent. of the people depend upon agriculture for their livelihood, their interests must tell in the end. It is quite likely that, after a few years of protectionist agitation, the representatives of the Indian people will come to the conclusion that their best interests lie rather in an increased application of science to agriculture than in the artificial stimulation of industries, which drain their labour into large towns, and whose claims for protection, if they were granted, would raise the cost of living throughout the country.

3. ECONOMIC DEVELOPMENT.

Attention has been drawn above to a few of the steps taken by the Government of India for the encouragement of indigenous production. In addition, as a result of the Stores Purchase Committee's investigation, the following special methods of encouragement were advocated, namely, (1) the guarantee of orders for specified quantities of certain classes of goods—to this the Government of India agreed; (2) preferential rates—the Government of India demurred to this; (3) favourable railway rates—the Government of India preferred to consider this question separately; (4) exchange compensation—the Government of India were not prepared to agree; (5) fiscal protection—this question is dealt with above. These suggestions of the Stores Commission are indicative of the desire throughout the country to assist the exploitation of natural resources. The main essential in the exploitation of these resources is, of course, efficient communications. With a view, therefore, to bringing the railways of India up to the required state of efficiency, a Railway Committee was appointed, which presented its report in August, 1921. Following upon this Committee, and pursuant to a resolution passed by the Legislative Assembly on September 13th, 1921, a Railway Finance Committee was appointed to consider certain matters

arising from the report of the Railway Committee, namely, the separation of railway from general finance, and the requirements of railways in regard to capital expenditure during the next ten years. Under the first head of reference the Committee's findings are, for the purpose of this memorandum, unimportant. Under the second heading, however, the Committee suggested that funds to the extent of 150 crores should be devoted to railway capital purposes during the next five years.

3(a) Port Facilities.—A very large scheme of development is being carried out in Bombay, involving reclamation in the Back Bay, electrification of the suburban railways and reorganisation of the accommodation for cotton at the docks. Calcutta, Rangoon and Karachi are also enlarging their docking facilities, whilst other schemes for additional port accommodation are under consideration, notably one for Vizagapatam.

3(b) Agriculture.—The Agricultural Department at Pusa has been of great assistance by bringing essential improvements in seed, etc., for cotton, sugar and jute (and indeed for all other branches of agriculture) to the notice of agriculturalists. It is also trying to effect improvements in the dairying industry. Sugar is of considerable importance to India, but, although she has on the average about $2\frac{3}{4}$ million acres under sugar-cane cultivation, her production per acre is the lowest in the world. In spite of the huge demand of her people for refined sugar, the poor quality of the crop, the partition of the land into innumerable small holdings, the heavy capital expenditure needed for a modern sugar plant, and the very keen competition from Java have, so far, proved insuperable obstacles to the growth of a refining industry. A Sugar Committee was appointed to consider these difficulties and has reported: no action has yet been taken on its report.

The vast oil seed production accounts for an important part of the export trade. The cotton and jute industries are of course immense, and here too the Agricultural Department is of material assistance in improving seed strains. Among the food crops, rice occupies the first place; the wheat, jawar, bhara (millets), grain, barley and maize crops are also important. These crops are vital factors in the daily life of the people, and here also better seeds and improved varieties are being distributed on a large scale, with a resulting improvement in the yield.

3(c) Mining.—Raw products for metallurgical industries have not generally been extensively surveyed. India's annual production of coal is only about 19 million tons. Her production of pig iron is limited to three works, the combined output of which exceeded half a million tons in 1923; and the steel industry may be said to be still in its infancy. Practically all the manganese ore is exported. Whilst there are sufficient deposits of lead,

zinc and copper to form a basis for smelting works, large fields remain unexplored, and even unsurveyed, awaiting capital and enterprise.

3(d) Water Power.—The water power of the country has been surveyed and yields promise of a great future. Reference must be made to the vast hydro-electric undertakings already in operation in the Bombay Presidency and Mysore.

3(e) Other Resources.—Cement works have been successfully started, and suitable materials for paper making and the glass industry are available and are in process of being exploited.

Three vast irrigation schemes of first-rate importance are at present in various stages of progress. These are the Sarda scheme in the United Provinces, which, it is estimated, will irrigate $1\frac{3}{4}$ million acres; the Sutlej Valley project in the Punjab, which will irrigate an immense tract to the south west of Ferozepore; and the great Lloyd (Sukkur) Barrage and Canals project, which is the largest scheme of its kind in the world and will convert over 5 million acres of Sind desert into a fertile land producing immense quantities of wheat, cotton, rice and oilseeds.

4. EXPORT TRADE DEVELOPMENT.

The position of the export trade of India as compared with the pre-war period can best be shown by a few statistics of the main exports. It must not be overlooked, of course, that India, like the U.S.A., and unlike the United Kingdom, is more closely interested in internal than in external trade. Local resources and demands are so vast that overseas trade occupies her attention but little in comparison with internal demands and supplies. Exports of millions of bales of cotton and millions of tons of rice, wheat or oilseeds look so large that it is sometimes forgotten that the figures represent merely the exportable surplus of these goods. To turn to figures of the main exports :—

4(a) Cotton.—Exports in 1923-24 were 3,764 thousand bales as compared with 3,363 thousand bales in 1922-23, 2,981 thousand bales in 1921-22, and a pre-war average (1909-10 to 1913-14) of 2,407 thousand bales. Japan took some 46 per cent. of the total quantity exported in 1923-24.

4(b) Cotton Yarn.—Exports of Indian yarn decreased in 1923-24 to 38·5 million lbs., as compared with 56·9 in 1922-23, 81 in 1921-22, 83 in 1920-21, and a pre-war average (1909-10 to 1913-14) of 193 million lbs. China is the principal market for Indian yarn and took 20·7 million lbs. of the 1923-24 exports as against a pre-war average of 170 million lbs.

4(c) Cotton Piecegoods.—Exports in 1923-24 were 165 million yards, as compared with 157 million yards in 1922-23 and 89 million yards in 1913-14.

4(d) Jute and Jute Manufactures.—The following figures show the exports of raw and manufactured jute :—

——	1913-14.	1921-22.	1922-23.	1923-24.
Jute (in thousand tons) ...	768	468	578	660
Bags (in millions)	369	387	344	414
Cloth (in million yards) ...	1,061	1,121	1,254	1,349

4(e) Food Grains and Flour.—The exports of grain, pulse and flour during 1923-24 and 1922-23 amounted to 3,428,266 tons and 2,598,174 tons, valued at Rs.50,87 lakhs and Rs.42,48 lakhs respectively : an increase of 57 per cent. in quantity and 42 per cent. in value for the year 1922-23 over 1921-22, and a further increase in 1923-24 over 1922-23 of 20 per cent. in value and 32 per cent. in quantity, due to the removal of the embargo on the export of rice. The important cereals are rice and wheat, 85 per cent. of the total quantity of food grains and flour exported in 1923-24 consisting of rice (2,206,404 tons), wheat (638,252 tons) and wheat flour (56,795 tons). There was no control on the export of rice from India during 1922-23 and 1923-24, all control on export from Burma having been removed from December, 1921, and on export from the rest of India from the 1st April, 1922. The restrictions on the exportation of wheat, wheat flour and other grains and pulses were not removed until 28th September, 1922.

Rice.—Total export of rice and paddy in 1923-24 was 2,206 thousand tons, as compared with 2,125 in 1922-23, 1,405 in 1921-22, and 2,450 in 1913-14.

Wheat.—Total export in 1923-24 was 638 thousand tons, as compared with 220 in 1922-23, 81 in 1921-22 and 1202 in 1913-14.

4(f) Oilseeds.—Indian supplies were, generally speaking, plentiful, and, though the consuming capacity of Europe has by no means completely recovered, the total off-take of Indian oilseeds has improved considerably. The figures of export of the principal oilseeds are as follows :—

——	Pre-war average.	1920-21.	1921-22.	1922-23.	1923-24
	Hundreds of Tons.				
Linseed	3,790	1,884	1,735	2,743	3,688
Rape	2,727	1,838	1,337	2,519	3,369
Sesamum	1,193	118	311	364	95
Ground nuts ...	2,118	1,040	2,359	2,674	2,571
Cotton	2,400	999	922	1,832	1,499
Castor	1,136	155	488	836	850

4(g) Tea.—The following are the figures in thousands of lbs. of the export of tea : 1905-6, 214,224; 1915-16, 338,470; 1920-21, 285,752; 1921-22, 313,878; 1922-23, 288,296; 1923-24, 338,754.

4(h) Hides and Skins.—There was a welcome revival in trade in tanned hides and skins in the year 1922-23 which continued in 1923-24. The figures are as follows :—

	Tons.	Valued at Rupees (lakhs).
1913-14	15,200	4,22
1920-21	6,700	3,17
1921-22	10,300	3,92
1922-23	14,600	5,06
1923-24	18,100	5,90

4(j) Total Exports.—The total value of exports in 1922-23 and 1923-24 was as follows :—

	1922-23. Rupees (lakhs).	1923-24. Rupees (lakhs).
Indian merchandise ...	299,16	348,84
Foreign merchandise ...	15,16	13,07
Total exports, including Government stores and treasure	319,09	366,81

The total visible balance of trade increased from 24,96 lakhs to 61,79 lakhs. Commercially, therefore, India is in a strong position.

5. COMPETITIVE SITUATION.

5(a) Cotton Yarns.—The following table shows the quantity of cotton yarn and twist produced in India and imported :—

—	1913–14.		1922–23.		1923–24.	
	Production.	Imports.	Production.	Imports.	Production.	Imports.
Cotton twist and yarn :—	Million lbs.	Million lbs.	Million lbs.	Million lbs.	Million lbs.	Million lbs.
Nos. 1 to 25 ...	616·7	2·2	633·7	13·9	527·8	7·3
,, 26 to 40 ...	62·7	27·3	69·8	31·4	77·0	20·8
Above No. 40 ...	2·7	7·9	2·2	6·2	3·3	7·7
Grey and coloured two folds (doubles).	—	—	—	4·6	—	4·0
Unspecified descriptions and waste.	0·1	6·8	0·0	3·3	0·1	4·7
Total ...	682·8	44·2	705·9	59·3	608·6	44·6

The total imports of yarn from the United Kingdom in 1923-24 were 21,790,000 lbs., compared with 31,018,000 lbs. in 1922-23 and 37,836,000 lbs. in 1913-14. In 1913-14 imports from Japan amounted to only 1,000,000 lbs.; in 1923-24 they had reached 20,430,000 lbs. In 1922-23, the last year in which detailed figures are available, Japan practically dominated the import market in counts up to 25's, in which she was a strong competitor with Indian mill-made yarns. In counts 26 to 40 the United Kingdom and Japan shared the import market in fairly equal proportions. In counts above 40 the United Kingdom retained practically the whole import trade.

The general higher quality of British yarns imported is shown in the following table, from which it will be seen that this country had a higher proportion of the total value of imports of yarn and twist than of the total weight.

The total value of yarn and twist imported in 1923-24 was Rs.794 lakhs.

	Percentage of Total Imports by weight.		Percentage of Total Imports by value.	
	U.K.	Japan.	U.K.	Japan.
	%	%	%	%
1913-14	86	2	86	3
1921-22	70	26	76	20
1922-23	52	45	62	35
1923-24	47	46	58	36

5(b) Cotton Piecegoods.—The following tables show the quantity and value of the imports of the three main classes of piecegoods :—

	Grey (unbleached).	White (bleached).	Coloured, printed or dyed.
	Million yards.	Million yards.	Million yards.
1913-14	1,534·2	793·3	831·8
1920-21	580·2	421·8	489·3
1921-22	635·6	306·2	138·3
1922-23	931·0	402·5	243·8
1923-24	704·0	415·4	347·5
	Rupees (lakhs).	Rupees (lakhs).	Rupees (lakhs).
1913-14	25,45	14,28	17,86
1920-21	26,45	21,90	34,57
1921-22	22,65	12,67	7,59
1922-23	30,44	15,01	12,60
1923-24	23,06	15,44	17,68

It will be observed that the total value last year was only Rs.1,41 lakhs below that of 1913-14, while the quantities were

1,692 million yards less. The reason for this is, of course, the difference in the prices, which were as follows :—

	Average price per yard.	
	1913-14.	1923-24.
Grey (unbleached) ...	2a. 8p.	5a. 3p.
White (bleached) ...	2a. 11p.	6a. 0p.
Coloured, printed or dyed	3a. 5p.	8a. 2p.

With prices averaging over 100 per cent. above pre-war rates, it is little wonder, in a poor country like India, that the quantities should be seriously reduced. The largest consumers of British textiles are the upper and shopkeeping classes of the towns and villages, the rural population being clothed mainly in the cloths woven in the Bombay mills. Our textile industry must look for its expansion principally to a higher standard of living among the urban population, which will largely depend upon an expansion of Indian industries and commerce. Price, however, remains the dominating factor in the situation, and we cannot hope to recover the whole of the pre-war yardage, still less to see any increase, until finishing, packing and handling charges are reduced, and, far more important still, until there is a very considerable reduction in the price of the raw material.

The following table shows that Japanese competition is mainly in grey goods, but is also considerable in coloured goods.

	Cotton Piecegoods.		
	Grey.	White (bleached).	Coloured.
1913–14.			
Yards (millions)	1,534	793	832
From U.K.	98·8%	98·5%	92·6%
„ Japan	0·5%	—	0·2%
1923–24.			
Yards (millions)	704	415	348
From U.K.	85·2%	97·0%	87·4%
„ Japan	13·7%	0·6%	6·7%

Bleached goods came almost entirely from this country, imports from Japan being small, while the rather larger quantities received from the Netherlands and Switzerland were probably woven in Lancashire. In coloured goods the chief sources of supply, apart from the United Kingdom and Japan, were, Italy, the Netherlands, Switzerland and Germany. Italian competition in this class of goods made marked progress in 1923-24 (5,567,000 yards, compared with 1,891,000 yards in 1922-23).

The percentage shares of the principal competitors in piecegoods are shown in the following table :—

——	1913–14.	1921–22.	1922–23.	1923–24.
United Kingdom	97·1	87·7	91·2	89·0
Japan	·3	8·3	6·8	8·3
Holland	·8	1·1	·8	·7
Italy	—	·2	·1	·4
Switzerland	—	—	·2	·5
Other Countries	1·8	2·7	·9	1·1

While a percentage of yardage is the fairest indication of the position in the case of the United Kingdom and Japan, it tends to minimise the competition from the Continent, which is mostly in better grade fancy goods of relatively high value. The 8 per cent. reduction in the British share since pre-war times is exactly met by a corresponding increase in the share of Japan.

The past two years have been somewhat difficult for Indian mills and the industry is in not quite so prosperous a state as during most years of the decade. Indian mill competition is best shown by the following table :—

Production in the Indian Mills.

——	1913–14.	1920–21.	1921–22.	1922–23.	1923–24.
Grey and bleached piecegoods :—	(Million yards)				
Shirtings and longcloth	292·5	456·2	487·0	470·5	443·5
Chadars	69·9	59·2	59·4	63·2	58·0
Dhutis	284·8	340·1	455·6	431·1	399·2
T cloth, domestics and sheetings	128·9	97·4	84·1	81·0	68·1
Drills and jeans ...	27·8	74·3	60·5	56·3	55·0
Other sorts	68·5	102·6	138·2	169·7	173·0
TOTAL ...	872·4	1,129·8	1,284·8	1,271·8	1,196·8
Coloured piecegoods ...	291·9	451·0	446·8	453·5	503·6
TOTAL PIECEGOODS ...	1,164·3	1,580·8	1,731·6	1,725·3	1,700·4

The Senior Trade Commissioner, in his report on the year 1923-24, writes on the position and prospects of the Indian piecegoods market as follows :—

> " The market is in a healthier condition than it has been for years. The old stocks have now all been cleared and supplies throughout the country are distinctly on the light side. Dealers have made profits on recent arrivals and there would be quite a large forward business if only Home prices could be relied on. The prospects for this year's South-West monsoon are favourable and this will make the fourth good monsoon in succession. Political and racial feeling, which

was such a marked feature of this market during the crisis of 1920-21, has almost entirely subsided and the relations between European importers and representatives and their Indian clients are once more perfectly cordial. The political horizon is clearer than it has been for some time and there would appear to be little risk of the trade improvement being delayed on this account. In markets like Bombay, Delhi and Amritsar, Indian importers and dealers have sustained such heavy losses of recent years that in most cases their present capital resources are limited. It is most satisfactory to note that they show little inclination to speculate beyond the limits which they can reasonably carry. In this they are being encouraged by the cautious attitude of the Exchange Banks. I think, therefore, that we shall see a period of steady recovery in this market and the cautious attitude of all parties is contributing to this end. There is no doubt whatever that India is in a position to purchase on a much freer scale if only home prices come down to a safer level. It would appear that the only hope for this lies in a large American crop. Meanwhile, the restriction of credit will prevent any possible over-trading and will ensure that the improvement in trade, although it will possibly be slower, will nevertheless be on a safer and more satisfactory basis."

It has been necessary to examine the cotton trade in some detail, as it is commonly regarded as the pulse of the market as a whole. A few of the other chief lines of import into India will now be dealt with.

5(c) Woollen Piecegoods.—The figures are as follows :—

Principal Countries of Consignment.	1922-23.		1923-24.	
	Yards.	Rs. (lakhs)	Yards.	Rs. (lakhs)
United Kingdom ...	1,781,183	67	3,948,482	1,09
Germany	362,666	8	827,678	20
Netherlands	39,770	2	106,469	4
France...	243,372	7	744,942	15
Japan	517,922	7	532,292	7
Other Countries ...	419,060	7	1,393,642	22
TOTAL IMPORTS ...	3,363,973	98	7,553,505	1,77

Although the trade more than doubled in yardage, the increase in values was not commensurate, being only 80 per cent. This is due to increased importations of German, French and Italian cloths at very low prices. The total quantities imported are still far below the pre-war average, which was 22,420,000 yards, valued at 207 lakhs of rupees.

5(d) Machinery and Millwork.—Following the industrial boom of 1919-20, a period of great depression ensued and considerable quantities of second-hand machinery and plant were

thrown on the market; moreover, the rehabilitation of the plant of the cotton and jute industries after the war was practically completed by 1922. Notwithstanding, the imports of machinery rank second only to those of cotton textiles. The following table shows the origin of the imports during the past two years :—

Countries of Consignment.	1922–3.	1923–4.
	Rupees (lakhs).	Rupees (lakhs).
United Kingdom	19·88	16·24
Germany	79	44
Switzerland	12	1
Japan	2	4
United States	2·24	1·96
Other Countries	41	44
TOTAL	23·46	19·13

The following table shows the relative importance of the three principal suppliers, both before the war and during the past two years :—

Country.	1913–14. (Per cent.)	1922–3. (Per cent.)	1923–4. (Per cent.)
United Kingdom	89·7	84·7	84·9
United States	3·2	9·5	10·2
Germany	5·6	3·4	2·3
Other countries	1·5	2·4	2·6

The chief competition is from America, in electrical plant, mining machinery, agricultural machinery and machine tools. Germany has re-entered the market with some success in rice and flour mill machinery.

5(e) Iron and Steel.—The following table shows the chief sources of supply of iron and steel, with the percentage share of each principal country in the import trade :—

—	From the United Kingdom.		From Germany.		From Belgium.		From the United States.		From other Countries.		Total.
	Tons (thousand).	Share (per cent.).	Tons (thousand).	Share (per cent.).	Tons (thousand).	Share (per cent.).	Tons (thousand).	Share (per cent.).	Tons (thousand).	Share (per cent.).	Tons (thousand).
1913–14 ...	609	59·8	200	19·6	173	17·0	22	2·2	14	1·4	1,018
1919–20 ...	269	63·0	1	·2	13	3·1	135	31·6	9	2·1	427
1920–21 ...	498	70·0	15	2·1	69	9·7	113	15·9	17	2·3	712
1921–22 ...	280	45·7	60	9·8	160	26·1	84	13·7	29	4·7	613
1922–23 ...	359	48·1	90	12·1	229	30·7	38	5·1	30	4·0	746
1923–24 ...	429	56·7	61	8·0	217	28·7	18	2·4	31	4·2	756

It will now be of interest to show the principal headings under which this competition was encountered during last year—1923-24.

Description.	From the U.K.	From U.S.A.	From Belgium.	From Germany.	Total Imports.
	Tons.	Tons.	Tons.	Tons.	Tons.
Iron-Bar and Channel ...	2,530	*	8,351	134	12,129
Iron or Steel—					
Beams, Pillars, Girders and Bridge-work ...	35,374	433	38,336	1,520	77,548
Bolts and Nuts	3,087	342	*	301	6,283
Hoops and Strips... ...	24,022	2,224	3,806	384	30,864
Nails, Rivets and Washers (other than Wire Nails)	5,697	33	1,402	812	12,245
Cast Pipes and Fittings ...	13,891	84	*	*	15,419
Galvanised Sheets and Plates	159,134	4,922	*	*	165,038
Tinned Plates	37,496	6,587	*	*	44,090
Plates, not Galvanised or Tinned	67,835	266	22,964	15,706	108,142
Wrought Tubes, Pipes and Fittings...	13,275	2,002	1,141	2,058	19,931
Wire Nails	219	32	4,710	4,575	10,971
Wire Rope	3,144	64	*	*	3,242
Steel Bars and Channels...	18,815	8	110,604	27,355	170,337

* Not separately distinguished.

5(f) Railway Plant and Rolling Stock.—The subjoined table shows the source of the imports on private account for the last two years.

Country of Consignment.	1922-23. Rs. (lakhs)	1923-24. Rs. (lakhs)
United Kingdom	10,40	11,03
Belgium	21	21
Canada	6	4
United States	13	18
Australia and New Zealand ...	8	18
Other Countries	17	8
Total	11,05	11,72

While it is satisfactory that the United Kingdom supplied 94 per cent. of the requirements of the company-worked railways in India, it must be recognised that there are very many tendencies likely to weaken our position unless British suppliers take prompt action in order to meet them. The chief is, of course, the tendency towards the transfer of the purchases of Government requirements from London to India, to which attention has been drawn above.

The subjoined table gives the sources of the imports of railway plant and rolling stock over a period of years :—

——	Average, 1909-10 to 1913-14.	Average, 1914-15 to 1918-19.	1920-21.	1921-22.	1922-23.
	Rupees (lakhs).				
Private—					
United Kingdom	5,54	3,28	13,48	18,40	10,40
Australia ...	37	3	12	21	8
Germany ...	12	5	—	4	9
United States ...	1	8	22	13	13
Other countries...	7	4	31	13	36
Total ...	6,11	3,48	14,13	18,91	11,06
Government—					
United Kingdom	2,69	1,20	2,47	2,81	2,44
United States ...	2	2	—	—	3
Australia ...	8	2	—	4	—
Other countries...	1	1	—	10	23
Total ...	2,80	1,25	2,47	2,95	2,70
Grand Total ...	8,91	4,73	16,60	21,86	13,76

Railway plant and rolling stock includes carriages and wagons, locomotive engines and tenders, and materials for construction, viz., bridgework, rails, chairs, fishplates and sleepers, and keys of steel or iron and sleepers of wood, &c.

5(g) Motor Vehicles.—The chief item to which attention need be drawn under this heading is motor cars. The subjoined table will show the heavy competition experienced by United Kingdom firms from foreign competitors, chiefly America.

Number of Motor Cars Imported.

Year.	From U.K.	From U.S.A.	From Canada.	From France.	From Italy.	Total.
1913-14 ...	1,669	868	—	111	7	2,880
1920-21 ...	2,541	10,120	1,938	192	218	15,432
1921-22 ...	790	802	576	158	222	2,895
1922-23 ...	449	1,386	1,846	61	131	4,323
1923-24 ...	1,005	2,865	3,290	153	370	7,984

It will be remarked that there has been a gradual recovery during the past two years from the low-water mark of 1921-22. The reduction in that year was the direct result of the excessive importations of 1920-21. These heavy stocks depressed the Indian market for nearly three years, and it was not until the end of 1923 that they were practically all cleared. A handicap

under which the trade still suffers is the high rate of import duty —30 per cent.—which was imposed from March, 1922. While this has been largely neutralised by reductions in prices, there seems little doubt that a lowering of the duty would give a useful stimulus to the extension of motor transport in the country. There has been some improvement in the British share of the trade during the last year, largely due to the heavy price-reductions in most makes and to specialisation on the lighter and cheaper types of car.

CEYLON.

	1901.	1911.	1921.
Population	3,565,954	4,106,350	4,504,549

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
United Kingdom exports to Ceylon	1,411	4,185	3,764
United Kingdom re-exports to Ceylon	55	131	105
United Kingdom imports from Ceylon	4,133	7,797	12,452

Ceylon Trade Returns.	1904. (1,000 rupees.)	1913. (1,000 rupees.)	1923. (1,000 rupees.)
Total Imports (including Bullion and Specie)...	116,483	199,641	292,160
Imports from United Kingdom (including Bullion and Specie) ...	26,170	58,200	63,356
Percentage from United Kingdom	22·5%	29·2%	21·7%
Total Exports (including Bullion and Specie)...	104,266	234,864	351,199
Exports to United Kingdom (including Bullion and Specie) ...	51,344	105,613	163,705
Percentage to United Kingdom ...	49·2%	45·0%	46·6%

Currency.—The unit of currency is the rupee, which is divided into 100 cents. Since October, 1923, the nominal par value has been 1*s.* 4*d.*, prior to which it was 2*s.* 0*d.*

1. FINANCIAL STABILITY.

Financially, Ceylon is in a very satisfactory position; her credit is good and her outlook for the future is promising. The nett sterling debt in 1922 stood at £10,389,986, including the loans raised in 1920-21 and 1921-22 at a rate of interest of 6 per cent. The nett public debt of the Colony on September 30th,

1922, was, approximately, twice the revenue for 1921-22. At 1st October, 1923, the Government of Ceylon had an accumulated surplus balance of 21½ million rupees.

2. NATURAL RESOURCES AND DOMESTIC MANUFACTURES.

Since the establishment of the tea industry, which succeeded beyond the most sanguine expectations, the prosperity of Ceylon has never been in question. The boom in rubber, culminating in 1910, was followed by extensive opening of land for its cultivation, and now rubber vies with tea as the staple export of the country. Within recent years the coconut industry has developed rapidly, in response to heavy demands for coconut products, and it now occupies a place not far behind tea and rubber.

The war conditions of 1914-18, shortage of freight, and exchange difficulties, told adversely on the trade of Ceylon, and its industries suffered more or less severely in the world slump; but complete recovery in all branches should not now be long delayed.

Ceylon depends for its prosperity mainly upon agriculture and the utilisation of its natural resources. The trade of the Island, therefore, is the export of staple products and the import of the manufactured articles, finished materials, and foodstuffs required by the population.

There are large engineering works in Colombo capable of carrying out repairs to ships, and others engaged in the manufacture and repair of machinery and agricultural implements. There are also lead-rolling mills for the preparation of lead for tea chests, etc. A considerable amount of attention has also recently been drawn to the " Cottage " industries of the Island, e.g., the manufacture of silver, brass and ivory work, lace, basketwork, cloth, coir and rope work. Various associations have been formed to foster and encourage these home industries, and the Government of Ceylon appointed an Industries Committee to enquire what assistance was mostly needed from Government on behalf of such industries, and of the productions of the Island generally.

2(a) Railways and Harbours.—The Ceylon Government has undertaken work in several directions. Considerable sums of money have been, and are to be, spent on railway construction, included in which is the railway now being laid from Maho, in the North Western Province, running in a general north-easterly direction to Trincomalee, the port which is to be developed on the side of Ceylon opposite to Colombo. This line, which is expected to be ready for traffic very shortly, will constitute the first railway debouching upon the east coast of Ceylon, and represents an attempt to open up the dry lowland of the North Eastern Province. Ceylon has a first rate, well equipped harbour in Colombo, and the railway system is reasonably adequate.

2(b) Water Power.—The proposal of outstanding importance, however, is the harnessing of the Laxapana Falls and the erection of the head-works of an important hydro-electrical undertaking at Aberdeen. The initial cost will be Rs.10,700,000, to generate in the Aberdeen catchment area some 10,000 k.w. This part of the scheme is capable of being carried further, and it is calculated that for a total outlay of Rs.33,000,000 some 50,000 k.w. could be developed in this area. The current will be utilised in the first instance for Colombo and Kandy. The first instalment is expected to be completed in 1929, by which date it is estimated that the public demand for electricity will absorb the output of some 30,000 h.p. A consumption of but half the amount would, it is calculated, render the scheme self supporting.

2(c) Tea.—Tea, Ceylon's premier crop, has in the last few years experienced an extraordinary success. The year 1922, with its exports to the value of 146 million rupees, was easily a record up to that date, but in 1923 the value of tea exported was nearly 186 million rupees.

2(d) Rubber.—Whilst it must be long before rubber exports attain the extraordinary values reached in 1915-1919 (rather over 130 million rupees in two of these years), the value of exports for the year 1923 exceeded 78 million rupees.

2(e) Plumbago.—Ceylon plumbago formerly occupied an important position in the market, but increased cost and out-of-date methods of production have seriously affected the industry. Plumbago from Madagascar, which is but little inferior to that of Ceylon, and whose costs of production are very considerably less, has been able in the last few years to compete very seriously indeed, with the result that many Ceylon plumbago mines are closed. The Government of Ceylon are at present making investigations with a view to assisting the industry.

3. EXTERNAL TRADE.

3(a) Exports.—The following comparison of the quantities of the main products of the Colony exported in 1891, 1913, and 1923 is of interest, as showing the changes in the agricultural activities of the Island :—

Article.	"	1891.	1913.	1923.
Cinnamon	lb.	2,810,098	5,140,800	5,038,208
Citronella oil ...	oz.	12,139,814	26,251,280	17,940,336
Coconut (desiccated) ...	cwt.	—	303,808	818,793
Coconuts, fresh	No.	7,367,043	16,861,324	15,693,670
Coconut oil	cwt.	426,669	546,984	480,543
Copra	cwt.	68,907	1,117,292	1,015,465
Plumbago...	cwt.	400,540	570,807	213,383
Rubber	lb.	—	25,367,028	83,816,228
Tea	lb.	67,718,371	191,510,630	181,939,731

In 1913 and 1923 exports totalled Rs.234,863,550 and Rs.351,198,748 respectively. The following table shows their percentage distribution to the principal markets :—

	1913. Per Cent.	1923. Per Cent.
United Kingdom	45·0	46·6
U.S.A.	16·5	23·6
Australia	4·9	3·7
India	3·9	3·1
Germany	9·7	2·7
Egypt	0·2	2·1

3(b) Imports.—The following table shows the main classes of imports into Ceylon, and the value received from the United Kingdom in each case :—

	Total Value. Rupees.	From U.K. Rupees.
I. Food, Drink and Tobacco ...	143,348,491	6,006,401
II. Raw materials and articles mainly unmanufactured ...	48,593,678	7,262,589
III. Manufactured goods ...	95,595,958	49,760,924
IV. Miscellaneous, and Bullion and Specie	4,621,657	326,316
Total	292,159,784	63,356,230

In the first two groups the United Kingdom share is small; in most of the articles we are not interested (e.g. rice, sugar, petroleum, etc.). The most important sub-group in Group III is cotton goods. The total value of cotton piecegoods, yarns and twist, and thread imported in 1913 was Rs.13,377,598, of which Rs.8,942,200, or 66·8 per cent., came from the United Kingdom. In 1923 the value was Rs.24,586,915, of which Rs.14,991,170, or 61·0 per cent., came from this country. The first five of the following paragraphs relate to some of the principal classes.

I. *Cotton Yarns and Twist.*—In 1923 imports of cotton yarns and twist amounted to only Rs.200,837, of which Rs.145,196 came from British India. Practically the whole of the remainder (consisting mainly of bleached yarns and twist) came from the United Kingdom.

II. *Cotton Piecegoods, Bleached.*—In 1913 the United Kingdom contributed goods to the value of Rs.3,273,393, out of a total importation of Rs.3,370,046, British India being the next largest exporter. In 1922, the United Kingdom share was Rs.5,258,501, out of a total of Rs.5,599,183. In 1923 her share was Rs.6,143,863, out of a total of Rs.6,740,549, the nearest competitors being Holland, British India and Switzerland.

III. *Cotton Piecegoods, Grey.*—In 1913 the share of the United Kingdom in this trade was Rs.802,307, out of a total of Rs·1,060,258, the U.S.A. being next. In 1922 the importation

again was mainly from the United Kingdom, with the U.S.A. next; whilst in 1923 the United Kingdom contributed goods to the value of Rs.1,651,800, out of a total of Rs.2,159,693, Japan and the U.S.A. being next with totals of approximately Rs.200,000 worth.

IV. *Cotton Piecegoods, Printed.*—The share of the United Kingdom in 1913 was Rs.1,704,286, out of a total of Rs.1,756,234, British India being the chief competitor. In 1922 the imports were almost exclusively from the United Kingdom, whilst in 1923 she contributed goods to the value of Rs.2,771,687, out of a total of Rs.2,816,247, the chief competitors being British India and Japan.

V. *Cotton Piecegoods, Dyed.*—In 1913 the import of these goods amounted to Rs.5,505,346, of which Rs.2,154,039 came from the United Kingdom and Rs.2,069,427 from British India. In 1923 the position had altered slightly, as, out of imports amounting to Rs.11,308,725, Rs.4,356,292 came from British India and Rs.3,380,083 from the United Kingdom.

VI. *Motor Cars.*—The number of cars imported in 1913 was 407, to a value of Rs.2,421,139; to this the United Kingdom contributed 234 cars; U.S.A., 115 cars; Germany, 25; and France, 21. In 1922 there was a decrease in the number of cars imported from every country, except Italy and the U.S.A.; 351 cars were imported from the latter, or more than double the number in the previous year; whilst in 1923 there were 968 cars imported, of a value of Rs.2,473,439, the respective shares being: the United Kingdom, 108; Canada, 468; France, 80; Italy, 13; and the U.S.A., 297.

The following table shows the respective shares in the import trade of Ceylon of certain countries:—

	1913. Per Cent.	1923 Per Cent.
British India:		
Burma	3·8	20·6
Other parts	40·8	29·1
Total	44·6	49·7
United Kingdom	29·2	22·0
Australia	1·9	2·9
Java	1·8	3·3
Borneo (excluding British) ...	0·5	2·7
U.S.A.	1·3	2·2
Japan	2·2	1·9
Natal	0·7	1·7
Holland	0·7	1·6
Germany	3·2	1·4
Maldive Islands	1·2	1·4
Straits Settlements	6·1	1·3

BRITISH MALAYA.

	1911	1921
Population	2,660,097	3,332,603

British Trade Returns. Merchandise only.	1905. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to British Malaya	3,268	7,175	8,608
U.K. re-exports to British Malaya... ...	57	213	189
U.K. imports from British Malaya ...	6,767	19,373	12,938

Straits Settlements Trade Returns.	1905. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
Total imports (including bullion and specie)	33,223	55,936	90,885
Imports from United Kingdom (including bullion and specie)	3,401	6,176	8,562
Percentage from United Kingdom ...	10·2%	11·0%	9·4%
Total exports (including bullion and specie)	28,296	45,375	83,206
Exports to United Kingdom (including bullion and specie)	5,721	10,745	7,516
Percentage to United Kingdom ...	20·2%	23·7%	9·0%

Currency.—The unit of currency is the Straits Settlement dollar, equivalent to 2s. 4d.

1. GENERAL POSITION.

British Malaya falls politically into three groups, viz., (*a*) the Colony of the Straits Settlements, (*b*) the Federated Malay States (comprising the Protected States of Perak, Selangor, Negri Sembilan and Pahang), (*c*) five Protected Malay States (Johore, Kedah, Perlis, Kelantan and Trengganu) not included in the Federation and generally referred to as the Unfederated Malay States. The result of this division, with different fiscal systems and different forms of government in each grouping, is that any review of the territory as a whole must necessarily avoid close reference to statistics for any of the territories separately. With the exception of Johore, the Unfederated Malay States and the Federated State of Pahang are but little developed; whilst, although the Federated Malay States owns one port of some size, 90 per cent. of its trade goes through the ports of the Straits Settlements. The trade returns of the Straits Settlements, therefore, are a better index of the trade of the whole territory than are those of the Federated Malay States, although the territorial dimensions and industrial development of the Federated Malay States far exceed those of the Straits Settlements. To obviate some of the difficulties of the position, during the last two years a new system has been introduced whereby a statistical report for British Malaya as a whole is issued from Singapore.

British Malaya as a whole during the last decade, despite food shortage and severely depressing conditions after the war, has been disturbed by no internal troubles of any note. During the great world depression in trade the commercial market had a very anxious time; but, though failures were many, the market as a whole withstood the strain well. Undoubtedly its purchasing capacity has suffered severely, but the absorption of stocks and the improvement in the price of tin and rubber give rise to the hope that British Malaya has now surmounted its chief difficulties.

2. ECONOMIC DEVELOPMENT.

The mining and agricultural activities of British Malaya are chiefly found in the Federated Malay States and, in less degree, in the Unfederated States. The manufacturing, smelting, marketing and merchanting interests are found mainly in the Straits Settlements which, owing to their comparatively small geographical area, cannot hope to achieve importance as mining and agricultural centres.

The staple products of British Malaya are rubber, tin and copra. The difficulties which followed the post-war slump in prices, brought to light the disadvantages of dependence on one or two staple products, and, as a consequence, after the local Government had come to the assistance of the tin mining industry by State buying of tin, and of the rubber industry by controlling production, every endeavour was made to create and encourage new industries, and in particular agricultural enterprise.

2(a) Rubber.—Over two million acres in British Malaya are planted with rubber trees; an almost indefinite extension of the acreage could be undertaken were the demand for rubber sufficient, but, following the severe world depression in prices under which at one time the price of rubber fell to less than 7d. per lb., a scheme of restricted export was adopted throughout British Malaya, under which the proportion of the normal rate of production that may be exported at the minimum rate of export duty is increased or reduced as the market price of rubber rises above, or falls below, 1s. 3d. per lb.

In 1923 rubber (including the re-export of rubber imported from the Dutch East Indies) to the value of some £33,000,000 was exported, the corresponding figures for 1921 and 1922 being £13,000,000 and £18,500,000. The year, therefore, so far as rubber is concerned, can be regarded as satisfactory. It may be noted that these figures are somewhat striking as following upon State intervention, since the condition of the industry was difficult in the extreme. Whether this artificial restriction of export will in the long run prove to the benefit of the industry is a point which it is unnecessary to discuss here, the essential difficulty being that whilst British Malaya and Ceylon both have such a system in force, their chief competitor, the Dutch East Indies, has no such restriction.

2(b) Other Agricultural Produce.—Paddy fields cover about 670,000 acres and coconuts about 450,000 acres in the Peninsula. Paddy is of no importance as an export, as rice is the staple food in Malaya, and it is even necessary to import considerable quantities of rice.

Copra forms an export commodity of importance, as the following figures of export show :—

1921—139,000	tons	exported,	valued at	£3,350,000
1922—170,500	,,	,,	,,	,, £3,500,000
1923—153,750	,,	,,	,,	,, £3,400,000

These figures include large re-exports.

Pineapples.—In the form of canned pineapples, exports vary from 650,000 cases to 900,000 cases of an aggregate value of some £700,000 per annum. Competition from the Philippines and elsewhere is increasing, however, and the Chinese, in whose hands the Malayan canning business is, will have to adopt more up-to-date factory methods if they are to retain their markets.

Other agricultural exports of minor importance are areca nuts, tapioca, sago, pepper, canes and rattans. The Agricultural Department of the Federated Malay States is busy experimenting with a view to increasing the range of agricultural products and improving the types of existing produce; the improvement of the type of paddy grown, the commercial possibilities of growing the African oil palm, and the revival of the once considerable spice trade of Malaya are some of the problems engaging the Department's attention.

2(c) Tin and other Mining.—*Tin.*—The quantities and values of tin exported from British Malaya during the last three years have been—

1921—42,000	tons	valued at	...	£6,818,000
1922—66,250	,,	,,	,, ...	£10,493,000
1923—69,880	,,	,,	,, ...	£13,963,000

These figures include re-exports.

The tin industry felt with great severity the effect of the post-war slump, but recently more favourable conditions have been experienced. Naturally, the industry benefited materially by war requirements, and the price rose in 1918 to a height of £399 per ton, the average during the year being £325 per ton. During 1921, however, the average price was only £165, whilst during 1922 the average was still lower at £159. Throughout 1923 there was an upward tendency, and 1924 has seen the £290 mark passed. British Malaya will undoubtedly derive much prosperity for years to come from her tin, her output of which represents about 30 per cent. of the world's annual supply of this metal; and when tin is priced at over £200 per ton Malayan mining is on a remunerative basis.

Other mining products.—British Malaya produces, in addition to tin, wolfram, a little gold, good clay for tile and brick making, cement, marble, china clay (from which the bulk of the porcelain

cups for collecting rubber latex is locally manufactured), and, of greater importance, coal; this coal is used throughout the Malayan railway system with satisfactory results.

2(d) Communications.—British Malaya has a most efficient railway service from Singapore right through to Siam, the gap between Singapore and the mainland having now been spanned by the Johore Causeway. In both the Straits Settlements and the Federated Malay States there is an excellent road system. Singapore is a magnificently equipped harbour, and additional docking facilities are in process of being built at Prai opposite to Penang.

3. TRADE DEVELOPMENT.

As has been stated, the main sources of British Malaya's wealth are rubber and tin, followed at a considerable distance by copra. The year 1923 was one of steadily improving conditions as compared with 1922 and the period of depression. The total value of British Malaya's imports of merchandise during 1923 amounted to £67,382,962 as compared with £53,129,355 in 1922. The total value of exports of merchandise during the year amounted to £78,136,042 as compared with £57,061,720 in 1922. The balance of trade in favour of Malaya was therefore £10,753,080 in 1923 as against £3,932,365 in the previous year. Having regard to the present state of world trade and to the generally restricted demand for raw materials, British Malaya's present condition may be regarded as a happy one.

With regard to the import trade, although demand has increased, lack of confidence is still noticeable. It would appear that the slump years of 1921-22 greatly impoverished the working classes all over the Middle East, and though the recovery of the rubber and tin industries has been substantial it has not wiped out the previous losses, and general trade is still very sluggish.

3(a) Export and Import Distribution of Trade.—The following table of the distribution of Malayan trade during 1923 is instructive, and shows that Imperial imports account for over 35 per cent. of the value of total imports and 26 per cent. of exports :—

Country.	Imports. £	Exports. £
United Kingdom	9,552,356	10,884,539
British Possessions	15,885,045	9,895,459
Continent of Europe ...	2,746,087	8,192,718
United States of America ...	2,148,178	31,878,463
Japan	2,116,738	3,447,949
Other Countries	36,783,231	14,415,097
Total	£69,231,635(*a*)	£78,714,225(*b*)

(*a*) Includes coin and bullion valued £1,848,673
(*b*) ,, ,, ,, ,, ,, £578,183

It will be observed that the United States is Malaya's best customer, rubber and tin accounting for the greater part of the total value of exports to that country. The large trade with " Other Countries " is explained by the fact that Singapore acts as a distributing centre for the neighbouring countries of Java, Sumatra, Borneo, Sarawak and Siam, both as regards imports and exports.

3(b) Imports.—The following table shows the value of some of the principal imports into British Malaya in 1923 :—

Commodity.	Value.
	£
Rice	7,212,818
Para rubber	6,478,995
Tin ore	4,846,652
Cotton piece goods	3,884,534
Cigarettes	2,540,421
Sugar	1,937,946
Cotton sarongs, slendangs and kains ...	1,610,934
Copra	1,301,935
Fish (dry and salted)	1,273,326
Milk (condensed and sterilised)	1,166,784
Coal	1,106,109
Machinery	935,450

Of the import list the chief item of interest to the United Kingdom is that of textiles generally. In this item, in 1923 a small increase was shown, but confidence in the bazaar is not yet restored and, moreover, prices are not within the purchasing capacity of the population, with the result that both merchant and dealer are still buying with considerable caution.

The most important items imported from the United States were cigars, cigarettes and tobacco, motor cars and oils, and from Japan cotton goods, coal, woodware and matches. Germany exported goods to British Malaya as soon after the war as she was able. Imports into the Straits Settlements from Germany in 1913 amounted to £877,734, whilst in 1923 German imports into the whole of British Malaya amounted to £621,834, or more than double those of 1922.

GROUP 9.—BRITISH DOMINIONS AND WEST INDIES.

CANADA.

	1901.	1911.	1921.
Population ...	5,371,315	7,206,643	8,788,483

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Canada	10,624	23,795	27,558
U.K. re-exports to Canada	1,624	3,512	2,749
U.K. imports from Canada	23,300	30,488	53,380

Canadian Trade Returns. Merchandise only.	Year ending 30th June, 1904. ($1,000.)	Year ending 31st March, 1914. ($1,000.)	Year ending 31st March, 1924. ($1,000.)
Total imports (entered for consumption)	243,909	619,194	893,367
Imports from United Kingdom ...	61,725	132,070	153,587
Percentage from United Kingdom	25·3%	21·3%	17·2%
Total exports (Canadian produce) ...	198,414	431,588	1,045,351
Exports to United Kingdom ...	110,121	215,254	360,058
Percentage to United Kingdom ...	55·5%	49·9%	34·5%

Currency.—The unit of currency is the dollar. The par rate of exchange is $\$4·86\frac{2}{3}=£1$. The average annual rates of exchange during the past five years have been as follows :—

1920	4·098	1922	4·495
1921	4·299	1923	4·664
	1924	4·472	

1. NATURAL RESOURCES.

The Dominion is fortunate in the possession of natural resources of great value, among which may be mentioned the fertility of her soil, the vast extent of her forests, and the abundance of her water power. An idea of the importance of these resources and of the use to which they have so far been put can be gained from the following extracts from a handbook published in 1924 by the Department of the Interior, Ottawa.

1(a) Agriculture.—Forest industries, mining and other basic industries have attained a high degree of development, but agriculture is unrivalled in the field of primary activity. It has been due chiefly to her resources in arable lands that Canada has advanced so far beyond her commercial status of 20 years ago. Within the past two decades Canada has become known as one of the great granaries of the world.

The opening up of Western Canada has been incomparably the greatest single factor in the re-casting of Canada's industrial and commercial life. A major portion of the change in the complexion and stature of Canadian trade abroad, and in the entire field of domestic industry, is traceable, directly or indirectly, to the agricultural expansion of the prairie provinces of Manitoba, Saskatchewan and Alberta.

Canada's agricultural production records some 1,400 millions of dollars in value annually, as against 365 millions at the opening of the century. So rapid has been the development of wheat production that Canada is now surpassed in this activity by the United States alone, and actually leads the world in her wheat and flour exports. Grain and grain products make up about 350 million dollars worth of her exports, but about one-fifth of this total is composed of wheat flour and other milled products. During the three years ending March 31st, 1923, the average annual export of wheat, flour, oats and barley represented 35 per cent. of the total value of exports. Bacon, cattle, cheese and other exports of agricultural origin were 12 per cent. Thus agricultural exports as a whole were 47 per cent. of all exports.

1(b) Forest Products.—Forest areas stand second only to arable lands among the basic resources of Canada. Their importance as a factor in the rise of Canadian commerce is disclosed by the increase of the Dominion's exports of wood, wood products and paper from about $42,000,000 in 1903 to nearly $229,000,000 in the year ending March, 1923.

The work of ascertaining the actual extent of Canada's commercial forests is a large and difficult undertaking, and is still far from complete. It is estimated, however, that approximately one-quarter (600,000,000 acres) of the total land area in the Dominion is covered by forest growth. Of this, about 150,000,000 acres may be considered as bearing saw timber of merchantable size, amounting to approximately 550,000,000 M.feet board measure. The balance of the area carries young stands, or timber suitable for pulpwood, fuel, etc. The total pulpwood resources are estimated to be about 1,300,000,000 cords, of which 500,000,000 cords is of saw timber size and is included in the estimate of saw timber. The total stand of timber of all kinds, reduced to board measure, is about 1,000,000,000 M.feet. Of this, over 80 per cent. in coniferous.

While lumber and pulpwood are the chief forest products of Canada, there are numerous minor products of large value for home consumption as well as for export. Firewood, fence posts and rails form an important part of the material produced for home consumption, likewise railway cross-ties, cooperage stock, telegraph and telephone poles, mining timber, tanning materials and other miscellaneous products. The total value of the annual output of forest products of all classes is in the neighbourhood of $300,000,000.

The export trade in wood, wood products and paper has made a remarkable advance in the past ten years. Exports were valued at $63,000,000 in 1914 and at $229,000.000 in 1923, while import values remained stationary.

1(c) Minerals.—Canada possesses large resources of soft coal, which is not, however, evenly distributed throughout the Dominion, low grade iron ore not yet commercially exploited, and, it is hoped, great potential resources in oil. Prospecting in oil has as yet, however, failed to reveal any large and constant supply.

Long before the war the Dominion had become the world's principal source of nickel, asbestos and cobalt, and an important producer of gold, silver, copper, lead, zinc and other rarer metals.

The close of the war was followed by a period of readjustment, involving semi-stagnation in the production of such metals as nickel, copper, lead and zinc, as well as in other minerals. The year 1920 showed a quick reaction to increased output, particularly of non-metallics and structural products, resulting in a total value of production greater than that of any previous year. This high level was not maintained, and a further depression in metal output, especially copper and nickel, with lower prices for silver, reduced the total value for 1921 to a figure below that of any of the previous five years. Gold, silver and lead outputs advanced decidedly during 1922, and while copper and nickel remained low, the mineral production for 1922 reached a total value—$184,297,000—surpassed only in two or three exceptional years.

1(d) Fisheries.—Not only on the Atlantic, but also on the Pacific coast and in her fresh water areas, Canada possesses fisheries of exceptional value. The annual yield, which in 1918 reached the record value of $60,000,000, places Canada third among the fishing countries of the world, Great Britain being first and the United States second.

It is not generally appreciated that two of the four great sea fishing areas of the world border on Canada. In addition, the lakes and rivers of the Dominion constitute approximately one-half of the fresh water of the globe, while the great inland sea of Hudson Bay, still practically untouched, may be regarded as a reserve.

That Canadian fishing waters are exceptional in fertility, as well as in area, is denoted by the fact that the entire catch of salmon, lobsters, herring, mackerel and sardines, nearly all of the haddock and many of the cod, hake and pollock are taken within 10 or 12 miles from shore. Further, the value of the Dominion's fisheries resources is enhanced by the circumstance that the colder waters of the northern latitudes produce fish of the finest quality. Climatic conditions also facilitate the work of distributing and marketing the catch.

1(e) Furs.—Several centuries of constant exploitation have not undermined the capacity of Canada's stock of fur-bearing animals to yield a leading contribution to the world's requirements of furs of superior quality. The immense unsettled territories of the Dominion form the habitat of fur-bearing animals in abundance and exceptional diversity. Every province shares substantially in the returns derived from fur resources, and the North-West Territories, comprising an area of approximately 1,200,000 square miles, is a reservoir from which, under wise methods of exploitation, a valuable annual catch may be taken in perpetuity.

The prolific yield from Canadian fur resources and the importance of the fur trade is indicated by the annual returns. The number of pelts taken in the season of 1921-22 exceeded 4,300,000, and their value aggregated $16,450,000. During the season of 1919-20, when fur prices were on a very high level, the catch yielded a total return of $21,000,000.

1(f) Water Power.—The actual extent of Canada's water-powers, as of its forests and other natural resources, has been by no means fully ascertained, but they are known to be abundant and well distributed throughout the Dominion, except in the southern portion of Alberta and Saskatchewan.

It is an important and extremely fortunate fact that a large amount of the accessible water-power is situated in the " acute fuel zone," a territory stretching for about 1,000 miles east and west and centreing upon the Great Lakes, where native coal is not conveniently or economically available. The latest survey or analysis of Canada's hydraulic resources, conservatively worked out from all available information on a basis of 80 per cent. installed efficiency and a full working load for 24 hours per

day, has placed the aggregate at 18,255,000 horse-power for conditions of ordinary minimum river flow. It is further estimated on the same basis that some 32,076,000 horse-power could be depended upon for six months of the year. The latter figure could probably be increased by about 30 per cent. in actual development, as it is standard practice to instal turbines in excess of the theoretical six-month power by about that amount.

Of the country's water-power assets only a small portion, about 7 per cent. of an estimated total possible turbine installation, has been utilized as yet. Small as is the beginning, it represents a striking rate of growth. Dating from 1900, when the total installed horse-power was some 150,000 in scattered plants and mills, development has been swift and unfluctuating, even in times of trade depression. To-day Canada possesses 2,973,000 operating horse-power and over 21,000 miles of transmission and distribution systems, located from Nova Scotia to the Yukon, in units varying from a few horse-power to the 55,000 h.p. turbines in use on the Niagara. Of the existing development 2,204,000 h.p. (of which 648,000 h.p. is municipally or publicly owned) is operated by central stations, *i.e.*, plants selling power; 484,000 h.p. owned by pulp and paper companies; and 285,000 h.p. installed in other industries.

The total hydraulic installation for the Dominion averages 338 h.p. per thousand population, as compared with about 100 h.p. per thousand population in the United States. This figure places Canada second only to Norway in the *per capita* utilization of water-power. Should the rate of growth be maintained, and the indications are that it will be accelerated rather than retarded, the total installation will have reached 3,360,000 h.p. by 1925, 4,110,000 h.p. by 1930, and 4,860,000 h.p. by 1935. Despite the tranquil condition of industry in general, 1921 and 1922 were years of marked advance in hydraulic enterprise. Some 500,000 horse-power was installed during the two years, with additional construction in progress.

Hydro-electric generation is one of the greatest of Canada's basic industries, while, as a manufacturing process, it is the largest in the Dominion from the standpoint of capitalization. The capital investment at the end of 1922 aggregated $620,000,000, of which a large portion can be assigned to transmitting and distributing equipment. This figure does not include such industries as electric railways and plants for the production of electrical equipment, which in Canada are to a very large extent directly dependent on water-power for their existence.

2. FINANCE.

2(a) Government Loans.—During 1924 the Canadian Government, with large maturing obligations to meet, was able to obtain funds under favourable monetary conditions. $90 millions of Canadian 4 per cent. one year notes were successfully placed in New York, and a Canadian syndicate acquired bonds to a total of $85 millions, $35 millions in 2-year 4 per cent. notes and $50 millions in 4½ per cent. 20-year bonds. The 20-year bonds were offered for public subscription in Canada at a price which compared favourably, from the borrowers' point of view, with the sterling loans of other Dominions, whilst a substantial advantage accrued at the same time to the Canadian Exchequer.

Prior to 1923, practically all financing of Canadian railways had been effected outside Canada, but in that year an issue of $22½ millions Canadian National Railway bonds, guaranteed by the Dominion Government, which owns the system, was offered in Canada. Early in 1924 an issue of $50 millions 5 per cent. 30-year Canadian National Railway bonds was taken up in the Dominion, and the bonds have since advanced in price. In

addition, issues of $20 millions and $26 millions Canadian National Railway bonds were made by a United States issuing house.

The direct Dominion debt is decreasing and, on 31st March, 1924, the net debt amounted to $2,418,000,000, as compared with $2,454,000,000 on 31st March, 1923.

2(b) Banking. At the beginning of 1924 there were 15 chartered banks with more than 4,000 branches. The combined paid-up capital of these banks was about $123,000,000, and reserve funds amounted to approximately the same figure. The number of banks has since been reduced, with a corresponding reduction in the total number of branches. As from the 1st of January, 1925, the Standard Bank of Canada and the Sterling Bank of Canada were amalgamated as the Standard-Sterling Bank of Canada. The Merchants' Bank was absorbed by the Bank of Montreal; the Home Bank, one of the smaller institutions, suspended payment; and the Bank of Montreal purchased the assets and assumed the liabilities of Molson's Bank.

Total assets and liabilities as at 31st October, 1924, are stated to be $2,808,850,223 and $2,788,831,412 respectively.

During the year 1924, bank clearings amounted to $17,115,372,248, showing a decrease of 1·95 per cent., as compared with the previous year.

2(c) Ownership of Industrial Capital.—The following table shows the value of securities of incorporated and joint stock companies engaged in specified manufacturing industries of Canada, 1920, at par valuation, together with the percentage owned in Canada, the United Kingdom and the United States of America.

Nature of Industry.	Total value of securities.	Percentage owned in			
		Canada.	U.S.A.	U.K.	Other countries.
	($1,000s.)	%	%	%	%
Steel furnaces and rolling mills	117,124	57·7	40·8	0·9	0·6
Copper smelting (includes some lead, zinc and nickel)	111,922	13·4	51·7	34·0	0·9
Electrical apparatus ...	52,666	43·4	45·1	9·6	1·9
Shipbuilding	39,497	37·8	33·5	24·9	3·8
Drugs and chemicals ...	33,171	32·9	52·0	14·3	0·8
Patent or proprietary medicines	25,013	16·8	79·4	0·9	2·9
Automobiles and accessories	24,498	30·7	69·2	0·1	0·0
Paint and varnish ...	23,966	48·3	50·1	1·6	0·0
Artificial abrasives ...	11,621	0·9	98·7	0·4	0·0
Brass and copper ...	9,235	43·0	56·6	0·4	0·0
Total for 28 industries including the above	2,212,308	65·1	24·5	9·6	0·8

The aggregate capital investment in Canadian industries grew from slightly less than $450,000,000 in 1900 to more than $3,400,000,000 in 1920. The degree to which the securities of certain industries are held by investors in the U.S.A. and the United Kingdom is indicated in the above table, based upon figures compiled by the Dominion Bureau of Statistics; but, despite the considerable investment of British and U.S.A. capital, the securities of industrial companies are held mainly by Canadian investors.

3. RECENT CONDITIONS IN AGRICULTURE, COMMERCE AND INDUSTRY.

3(a) Agriculture.—The closing months of 1924 brought an improvement in wheat prices which may have far-reaching effects on the prosperity of Canada. Although the industrial development of the Dominion proceeded apace during and since the war, and has reached considerable proportions, agriculture remains an important source of wealth, and the prominence of the Dominion to-day as a wheat producing country is well known.

To meet the conditions created by the war, a largely increased acreage was sown to wheat during that period, and a record yield, reached in 1923, was finally estimated at 474,199,000 bushels, as compared with 132,000,000 bushels in 1910. The financial return to the grower, however, was disappointing, as the price of wheat fell to a level which left little or no margin over the cost of production. A period of depression ensued, the effects of which were experienced in the industrial areas of the Eastern Provinces as well as in the extensive agricultural areas of the Prairie Provinces of the West. The farmer found himself in the position of having to sell his produce at a price even less in some cases than that obtained before the war, while the prices of manufactured goods which he required to purchase remained at a relatively high level.

The aggregate value of all field crops in 1923 was $899,226,200, compared with $962,293,200 in 1922, a decrease of $63,067,000, caused mainly by lower prices obtained for almost every product.

According to the estimate of the Dominion Statistician, the total value of the field crops of the Dominion in 1924 will amount to $995,236,000, and will exceed the value for 1923 by nearly $100,000,000, the excess being due, in despite of the smaller yield, to the increased price realised for wheat and other grains.

The rise in the price of field crops and of wheat in particular may be expected to stimulate business and to restore confidence, with consequent advantage to exporters to that market.

In an effort to secure a better price for their product, a movement was set on foot by farmers in Western Canada in 1920 for the co-operative marketing of wheat. A farmers' pool was first created in the Province of Alberta. Similar pools were

organised during the past year in Manitoba and Saskatchewan, and a central selling agency to handle the wheat of the three pools was created, under the name "Canadian Co-operative Wheat Producers Ltd."

3(b) Commerce.—For some time past both wholesale and retail business has been generally quiet. Caution has been the keynote in purchasing. So long as importing firms were buying in small quantities, the exporter in this country who did not carry stocks in the Dominion for prompt delivery was at a disadvantage.

According to statistics prepared by Messrs. R. G. Dun & Co., of Montreal, Canadian returns for 1924 show reductions in both number and liabilities of commercial failures. The numerical decrease reached nearly 24 per cent., but the falling off in the indebtedness was only 2 per cent. Numbering 2,474, and involving $64,530,975, the Canadian defaults compare with 3,247 for $65,810,382 in 1923 and with the 3,695 for $78,068,959 in 1922. There were fewer defaults last year than in 1923 in manufacturing, trading and other commercial occupations, but only among traders were the liabilities less than those of the earlier period.

3(c) Industry.—The inability to obtain supplies from European sources during the war led to rapid growth of the Dominion's industries and the development of export trade.

The total number of industrial establishments in 1920 was 42,406, compared with 14,600 in 1900; the capital invested had increased from $447,000,000 to $3,439,527,000, and the value of production rose from $481,000,000 to $4,019,371,000.

The increasing importance of industry is also shown by the fact that whereas in 1913-14 27 per cent. of Canada's domestic exports consisted of manufactured goods, in 1922-23 the proportion was 39 per cent.

Approximately 79 per cent. of Canadian factories are located in the Eastern Provinces and the Eastern area accounts for about 85 per cent. of the total value of Canadian factory production.

4. EXTERNAL TRADE.

4(a) Exports.—The demands made on Canada's manufacturing activity during the war have had far-reaching effects. They stimulated production of manufactured goods and an increased flow of exports, both far beyond what would have been the normal rate of progression. The range of manufactured goods produced in Canada is constantly being increased. Many commodities that were previously wholly imported are not only being made in Canada in quantities sufficient to supply the home demand, but a certain volume is being exported to various foreign countries. Since 1913 Canada has greatly improved her exporting position. In respect of exports per capita Canada now has second place, being exceeded only by New Zealand.

Canada's best customer is the United States, which in 1923-24 took goods to the value of $430,707,544, or 41·2 per cent. of Canada's total exports. The United Kingdom followed with $360,057,782, or 34·5 per cent. Canada's exports of Canadian produce in the fiscal year ending 31st March, 1924, were $1,045,351,056. Exports of foreign produce amounted to $13,412,241, making a total of $1,058,763,297, which is nearly three times the total of the pre-war fiscal year 1912-13. The following table shows the relative proportions of raw materials and partly and fully manufactured goods exported to the United Kingdom and United States during the fiscal years ending 31st March, 1922 and 1923.

Exports (Domestic).

	To United Kingdom.		To U.S.A.	
	1921-22.	1922-23.	1921-22.	1922-23.
	$	$	$	$
Raw materials ...	163,289,002	237,415,271	108,414,084	120,092,090
Partly manufactured articles	20,125,161	21,382,268	72,704,547	113,466,691
Fully or chiefly manufactured articles ...	115,947,512	120,269,906	111,470,012	135,521,437
	299,361,675	379,067,445	292,588,643	369,080,218

Canada's exports of partly and fully or chiefly manufactured goods to the United Kingdom and United States are as follows for the fiscal year ending 31st March, 1923 :—

Total Exports.	To U.K.	To U.S.A.
$515,173,415	$141,652,174	$248,988,128

It will be noted that the United Kingdom and the U.S.A. took over 75 per cent. of all Canadian exports of partly and fully manufactured goods. The marked increase in Canadian total exports from $740,000,000 in 1921-22 to $1,045,000,000 in 1923-24 is worthy of examination. Apart from exports from Canada of agricultural and animal products, which account for rather more than 50 per cent. of the total exports, great progress has been made in the following products. The figures refer to the fiscal years ending 31st March, 1922 and 1924.

Forest Products and Paper.

1922.	1924.
$180,000,000	$273,000,000

The increase is almost entirely accounted for by American purchases, particularly newsprint paper (increase $27,000,000), logs and sawmill products ($42,000,000 increase) and wood pulp ($12,000,000 increase).

Iron and its Products.

1922.	1924.
$28,000,000	$67,000,000

Under this heading the increases are due to additional participation in several foreign markets as follows :—

Pig iron, Ferro silicon, Scrap, Forgings } To the U.S.A.
Bars to Japan (due to reconstruction after earthquake).
Barb wire to New Zealand.
Wire and wire fencing to United Kingdom, Australia, New Zealand and Argentina.
Farm machinery to Belgium and France.
Wire nails to United Kingdom, Japan and New Zealand.
Bolts and nuts to United Kingdom.
Sewing machines to Argentina and Brazil.
Motor cars and trucks to United Kingdom, Australia, South Africa, New Zealand, India, Sweden, Argentina.

(The increase under this last item was $25,000,000.)

Non-ferrous Metals and Products.

1922.	1924.
$28,000,000	$66,000,000

Goods (and destinations) accounting for this large increase were :—

Aluminium to U.S.A., Brazil, Japan, New Zealand, Spain.
Copper to U.S.A.
Lead (pig and refined) to United Kingdom, Japan, France, China.
Nickel to United Kingdom, U.S.A. and Germany.
Precious metals to U.S.A. (mostly gold).
Electric apparatus to United Kingdom, Australia, Japan, New Zealand.

Toilet Soap is another increasing export, 4,160,020 lb. having been exported in 1924 compared with 835,520 lb. in 1922. The bulk of it was exported to the United Kingdom.

4(b) Imports.—It would appear from statistics of the imports and exports of raw materials, and partly and fully manufactured

goods, both for Canada and the United States, that both countries are using an increasing proportion of imported raw material in their own manufacturing industries. Just prior to the war, the proportion of fully manufactured products imported into Canada was 68·9 per cent. of her total imports, and 36·6 per cent. in the case of the United States, whereas in 1923 the proportions were 61·9 for Canada and 32·9 for the United States.

Canada's total imports for consumption for the fiscal year ending 31st March, 1924, were $893,366,867, as compared with $802,579,244 in the previous year, and $619,193,998 in 1913-14. In the fiscal year 1923-24 Canada took goods from the United States to the value of $601,256,447, and from the United Kingdom $153,586,690, the proportion of these amounts to Canada's total imports being 67·3 and 17·2 per cent. respectively.

Canadian imports from the U.S.A. for the 12 months ended August, 1924, were valued at $550,000,000, of which 41 per cent. entered Canada free of duty. Canadian imports from the United Kingdom in the same period were valued at $150,000,000, of which only 17 per cent. entered duty free. This, of course, indicates that a larger percentage of the goods from the United Kingdom to the Dominion are fully manufactured. Many of the goods from the U.S.A. entering Canada free of duty could not readily be supplied from the United Kingdom. The following list includes materials and commodities from the U.S.A., valued at $165,000,000, which entered Canada during the year 1923-4 free of duty :—

	$
Binder twine	5,500,000
Anthracite	41,900,000
Raw cotton...	28,300,000
Fresh fruits	11,600,000
Furs (undressed)	6,100,000
Hides and skins	3,700,000
Manila and sisal grass	1,800,000
Iron ore	4,400,000
Crude petroleum	14,000,000
Crude rubber	5,400,000
Settlers' effects	4,800,000
Raw silk	2,700,000
Raw wool	2,000,000
Copper	4,300,000
Aluminium	2,500,000
Corn (Indian)	7,400,000
Farm implements and tractors ...	4,700,000
Machinery, other than agricultural	2,000,000
Rolling mill products	2,200,000
Animals, living	2,000,000
Chemicals and allied products ...	7,700,000

A very large number of the foregoing items could not be supplied wholly by the United Kingdom. It is a section of Canadian import trade most readily and naturally held by the U.S.A.

The following table shows the relative imports from the United Kingdom and the United States into Canada in the last two fiscal years by main groups of commodities :—

Imports of Canada from United Kingdom and United States by main groups (merchandise only) during the fiscal years ending 31st March, 1923 and 1924.

	United Kingdom.		United States.	
	1922-23.	1923-24.	1922-23.	1923-24.
	$	$	$	$
Agriculture and vegetable products ...	26,666,163	28,602,525	73,035,162	81,368,503
Animals and Animal products	3,143,223	4,287,455	34,812,367	32,357,873
Fibres and textile products	69,339,824	72,284,366	77,283,472	74,763,836
Wood, wood products and paper	2,708,338	3,061,219	31,844,398	36,062,769
Iron and its products	12,671,433	18,241,866	124,370,193	152,176,749
Non-ferrous metal products	3,595,638	4,209,506	31,748,601	36,204,118
Non-metallic mineral products	12,508,655	10,451,716	114,711,860	135,701,384
Chemicals and Allied products	3,636,013	4,203,326	18,414,962	18,409,812
Miscellaneous commodities	7,060,856	8,244,711	34,768,723	34,211,403
	141,330,143	153,586,690	540,989,738	601,256,447

In 1922-23, 87 per cent. of the imports from the United Kingdom consisted of fully and chiefly manufactured goods, compared with 58 per cent. of the imports from the U.S.A.

It will be seen that the textile group is the only one in which the United Kingdom has a share comparable with that of the United States. The United Kingdom has exported more to Canada in 1923-4 as compared with 1922-3, but her total gain is barely 9 per cent., whereas that of the United States is approximately 11 per cent.

A detailed comparison of our share of Canada's import trade to-day with the year 1912-13 is instructive. While the total value of our sales to Canada has increased, our percentage of the Dominion's total imports has decreased. We have increased our share in a few articles such as woollen goods and boots and shoes, but in many fully manufactured goods we have lost ground.

The following tables illustrate the points referred to—

Imports into Canada.

—	Total.	From United Kingdom.		From United States.	
	$	$	%	$	%
1912–13	671,200,000	138,700,000	20·7	436,900,000	65·0
1923–24	893,400,000	153,600,000	17·2	601,300,000	67·3

U.K. and U.S.A. Percentages of Canada's Imports.

Class of Goods.	Value Canadian Imports, 1923–24.	1912–13. From		1923–24. From	
		U.K.	U.S.A.	U.K.	U.S.A.
	$	%	%	%	%
Manufactures of cotton ...	38,000,000	61	28	50	42
Paints and varnish ...	3,700,000	35	52	19	68
Machinery (including agricultural implements) ...	40,000,000	7	93	9	90
Glass and glassware ...	7,500,000	28	40	16	41
Electric apparatus	14,000,000	13	84	7	88
Soap...	1,323,000	11	76	8	86
Manufactures of silk ...	19,000,000	43	15	15	23

In woollens, boots and shoes, and perfumes, the position is more favourable :—

Class of Goods.	Value Canadian Imports, 1923–24.	1912–13. From		1923–24. From	
		U.K.	U.S.A.	U.K.	U.S.A.
	$	%	%	%	%
Manufactures of wool ...	40,000,000	85	6	85	7
Boots and shoes	1,500,000	13	86	46	51
	(Canada's importations in 1913 were three times the value of those in 1924, clearly indicating her manufacturing progress in this industry.)				
Perfumery	864,000	10	61	18	53

The two preceding tables are not intended to cover the whole of Canada's imports, but the items enumerated have been quoted to illustrate the position of U.K. trade in certain important commodities imported into Canada, valued at $170,000,000.

In total value of imports Canada now ranks first of all overseas British Dominions, but takes a lower percentage of British goods than any other of the principal units of the Empire.

4(c) Trade Balance.—In 1913, Canada stood tenth among the exporting nations of the world and eighth among the importing countries, the figures for the calendar year being :—

Exports	$436,218,000.
Imports	$659,064,000.

In this year capital was being freely imported for railway and other development. In exports per capita her position was seventh, with a figure of $57·95.

In 1923 the visible balance of trade was considerably in favour of Canada, an improvement which has been maintained. Figures are appended :—

For Fiscal year ending 31st March.	Excess of Exports.	Excess of Imports.
	$	$
1921	—	29,730,763
1922	6,122,177	—
1923	142,716,593	—
1924	165,396,430	—

The last date for which returns are available is the 31st December, 1924, and for the period of twelve months ending on that date the export balance amounted to $262,437,043.

In aggregate trade the Dominion, with a population of less than nine million, now stands fifth among the nations of the world. In imports per capita she stands seventh and in exports second.

Her improved position is reflected in the exchange value of the Canadian dollar, which, after having been quoted in New York at a varying discount during the post-war years, has for some months past stood at or about par. For the first time since the war it was recently quoted at a slight premium over the United States dollar.

5. COMPETITIVE CONDITIONS.

Canadian trade—imports and exports—is concerned chiefly with two countries, the United Kingdom and the United States of America. In general terms, the United Kingdom takes foodstuffs and the U.S.A. forest products, foodstuffs and minerals (of importance in the order named). With an increasing population the U.S.A. will need and secure yet more primary products from Canada. Canada has abundant supplies, or the means of easily and cheaply producing them, of just those products which in the U.S.A. are showing signs of diminishing—timber, pulp paper, certain minerals and an exportable surplus of wheat, to name some of the more important.

The reasons for a large volume of trade to and from Canada and the U.S.A. are natural and obvious. Each has what the other needs; they are neighbours and geographically one area. Trade

to and from Canada and the United Kingdom is entirely different. An ocean divides them, and fashions and methods differ. If Britain is to increase her exports to Canada, certain adaptations are necessary. Canada will not buy from Britain on the score of quality only—it must be quality plus suitability, and reasonably prompt availability.

Styles, standards, usage and advertising, common to Canada and the U.S.A., differ in very many instances from those prevailing in the United Kingdom. Quality alone, no matter how strong the sentiment may be, will not overcome an unsuitable style, bad packing or delay in delivery.

Another factor affecting British exports to Canada is the latter's rapid progress in production of fully manufactured goods suitable for the home market.

For instance the large volume of goods of American styles on the Canadian market is not by any means supplied entirely by factories in the U.S.A. Canadian branch factories of U.S.A. firms contribute a very large proportion of the manufactured goods needed by the Dominion. The number of such establishments exceeds 700 and is sometimes placed as high as 1,000.

Importers in the Dominion expect a manufacturer or exporter desiring a share of their orders to make business free from irritation and to offer a service at least comparable with that usual in North America. Canadian imports of fully manufactured goods are to-day approximately worth $500,000,000 per annum, and goods partly manufactured account for about $80,000,000. Of a total of $580,000,000 for fully and partly manufactured goods purchased by the Dominion the United Kingdom secures only 22 per cent., despite a substantial preferential duty on nearly everything imported. It is thus obvious that the existing trade is not only large enough to make it worth while, but that the United Kingdom does not secure nearly as much as she should.

5(a) Importance of Carrying Stocks in Canada.—The sale of goods by the method of appointing agents on commission is the policy adopted generally by United Kingdom firms in the Canadian market. While this arrangement is moderately successful in many cases, there is no doubt that it places British goods at a disadvantage compared with United States products in competing classes. U.S.A. firms not only employ agents on commission; they also establish branch warehouses, where stocks are kept and can be supplied at once. This is particularly necessary, for example, in machinery of every kind, so that spare parts may be readily available.

British goods have to compete, therefore, with U.S.A. firms carrying stocks on the spot, and in addition with their agents on commission. At certain strategic points, such as Toronto and Vancouver, a letter posted to the nearest U.S.A. centre, Buffalo in the case of Toronto and Seattle in the case of Vancouver, is delivered on the following day and goods can be shipped usually

on receipt of the order. This alone is instrumental in marketing large quantities of goods irrespective of price and quality. The proximity of the large market of the United States enables that country to trade with Canada at an advantage over the more distant British market, notwithstanding the tariff preference granted to the latter. The British exporter has two cheap ocean routes to Canada, one to Montreal and the other through the Panama Canal to Vancouver, but the element of time can be overcome only by the carrying of stocks in the country.

Unreliability in delivery, or the time taken to fill an order, are two of the most difficult matters requiring solution if British trade to Canada is to expand. The fact that the goods have to be transported some thousands of miles by sea, and often enormous distances by rail as well, does not impress the Canadian importer. He knows that most of his regular needs can be filled by Canadian or U.S.A. factories distant from 1 to 5 days' rail journey. The proximity of the factory also means, in practice, that the Canadian merchant has so much less money tied up in stock.

In nearly all the larger Canadian cities many Canadian manufacturers carry stocks in their own warehouse for prompt delivery to the local trade, including electrical goods (wire, cable, apparatus and household appliances), the smaller engineering articles, saws (for mill and household use), collars, shirts, boot polishes, paints, aluminium ware and other household utensils, bags and trunks, and many others.

Local merchants are thus enabled to secure such supplies at a moment's notice, and are not vitally interested in other sources of supply from which delivery is a matter of months.

It is possible for United Kingdom exporters to meet and overcome to a very large extent the difficulties to which reference has been made.

NEWFOUNDLAND.

	1921.
Population (including Labrador)	263,033

British Trade Returns. Merchandise only.	1904. (£1,000).	1913. (£1,000).	1923. (£1,000)
United Kingdom Exports to Newfoundland and Labrador.	488	881	676
United Kingdom Re-exports to Newfoundland and Labrador.	69	115	94
United Kingdom Imports from Newfoundland and Labrador.	521	974	2,117

Newfoundland (including Labrador) Trade Returns.	1904–5. ($1,000).	1913–14. ($1,000).	1922–23 ($1,000).
Total Imports	10,279	15,194	19,322
Imports from United Kingdom	2,655	3,827	3,131
Percentage from United Kingdom ...	25·8%	25·2%	16·2%
Total Exports (Domestic)	10,593	14,975	20,658
Exports to United Kingdom	1,908	3,211	6,927
Percentage to United Kingdom ...	18·0%	21·4%	33·5%

Currency.—The unit of currency is the dollar. The par of exchange is 4·86⅔ dollars to the £.

1. GENERAL.

The area of Newfoundland is 42,734 square miles. The population is in the neighbourhood of 260,000. Labrador, which is a dependency of Newfoundland, has an area of 120,000 square miles, and a population of about 4,000. In the capital City of St. John's, approximately one-fifth of the total population is to be found, the numerous out-ports around the coast accounting for the greater part of the remainder. The inhabitants are descended almost exclusively from British stock.

The prosperity of the colony is dependent primarily upon the fishing industry, in which a large proportion of the population is employed. Since the war, the export trade in fish with the Mediterranean countries has been seriously injured by the depreciation of continental currencies and the resultant inability to purchase in quantities commensurate with the pre-war trade. The commercial depression which inevitably resulted in the colony, and was for some time severe and persistent, has latterly been compensated to a certain extent by industrial development.

Some adjustment in the market for fish has also resulted in an improved price and demand, to the benefit of the industry in particular, and of the colony as a whole.

The improving position is reflected in the decline in the number of commercial failures. For the nine months ended 30th September, 1924, the number of failures was 32, as compared with 56 for the corresponding nine months of the previous year, while the liabilities were $1,725,007, as against $3,797,343.

2. FINANCIAL.

During the years of the war, Newfoundland was able to obtain a favourable trade balance, and revenue was considerably in excess of expenditure. The position is now rather less satisfactory. Revenue is derived mainly from duty on imports, which declined markedly in value after 1919-1920, owing to the depressed condition of the fish trade. The Funded Public Debt amounted in the year 1921-1922 to 55,030,027 dollars, as compared with 29,470,060 dollars for the year 1912-13. In 1921-22, Revenue on Current Account was 8,269,681 dollars, and Expenditure 9,127,543 dollars.

The latest figures available are more encouraging. In a financial statement issued by the Minister of Finance and Customs early in January, 1924, reference was made to the general improvement in trade, absence of unemployment and evidence throughout the island of a return to prosperity. Official returns for the six months ending 31st December, 1924, showed revenue collected as $4,722,222, compared with $4,081,457 for the corresponding period last year.

In 1918-19 the Legislature authorised the issue of a loan of $6,000,000 at 6½ per cent. for naval and military purposes. This loan was largely oversubscribed.

The island has considerable mineral resources, which are as yet only exploited to a small degree, and should eventually prove a valuable source of wealth. Confidence in the future of the colony is indicated by the recent establishment of such an enterprise as the Humber Valley project for the development of water power and its use in the production of wood pulp. This undertaking, for which an important engineering firm in this country is responsible, received the support of the Government of the colony, as well as practical assistance from the Imperial Government in the form of a guarantee under the Trade Facilities Act, and has afforded considerable employment for local labour. About 100,000 h.p. continuous are to be generated and utilised in a pulp and paper mill with an annual capacity of 120,000 tons. A township to house from 5,000 to 10,000 people is being built to accommodate employees and their families.

3. ECONOMIC DEVELOPMENT.

The principal industries of the colony are fishing, the production of pulp and paper, mining and lumbering. Manufactures are on the whole unimportant, requirements in finished goods being met by imports from Canada, the United Kingdom, and the United States of America. There are local factories for goods in demand for the fishermen, such as ropes and nets, soap, paint and tobacco, certain classes of clothing and boots and shoes. Local production is not, however, adequate to meet all demands.

3(a) Fishing.—The fishing industry has been pursued for centuries, and still remains the chief factor in the life and commerce of the community. The principal catch is codfish, which is consigned chiefly to the Mediterranean countries, South America and the British West Indies. The cod fishing of the Island is the most extensive of the kind in the world, and it is for its cod that the colony has long been famous. Large quantities of other kinds of fish, including salmon, halibut, lobsters, etc., are also caught, while the seal fishery is of considerable importance, though seasonal and of short duration.

3(b) Forest Products.—It is estimated that the area of well-wooded timber land in the island is about 10,000 square miles, capable of yielding 10 cords per acre of pulp wood and 1,000 superficial feet of lumber. The forest products are the source of a considerable amount of revenue and provide a good deal of employment. Pulp and paper represent the biggest item, and the production is taken exclusively by this country. The well known mill at Grand Falls, one of the largest in the world, is the source of paper used by the Associated Press. Pit props are exported both to this country and to the United States of America.

All land that is not privately owned is held by the Government. Licences to cut timber over given areas can be obtained from the Government on payment of sums ranging from $200 per square mile upwards.

3(c) Agriculture.—Agriculture is not important, and for climatic and other reasons production is below local requirements, with the result that large quantities of flour, fruit, vegetables, cheese, butter, etc., are imported from Canada and the United States of America.

It is estimated that there are some 2,000,000 acres suitable for agricultural development, but the cost of clearing the land is an obstacle.

3(d) Water Power.—Although the water powers of the colony are considerable, little was done to utilise them until the Humber Valley scheme already mentioned was carried out. As the colony grows, the ability to make use of its considerable water powers should prove of importance.

3(e) Minerals.—With the exception of iron ore, which is exported chiefly to Canada for use in the Canadian iron and steel

industry, and also to Germany and Holland, the undoubted considerable mineral wealth of the Colony has not been extensively utilised. In the Wabana property on Bell Island, Newfoundland possesses the third greatest hematite deposit in the world, and valuable deposits in the neighbourhood are awaiting exploitation.

Copper-bearing rocks are found over large areas, and very considerable quantities of high grade ore were mined in the past, but the industry is at present inactive, owing to the production of copper in other parts of the world and prevailing low prices. Lead ores occur, and one of the best known deposits was worked extensively some years ago, when several cargoes of high-grade galena were shipped. At the present time, however, there is no production. Deposits occur of a variety of other minerals which are not at present exploited commercially, and include iron pyrites, chromite, manganese, molybdenite, gold, silver and platinum. In mineral wealth, Newfoundland may be said to have great possibilities.

4. INDUSTRIAL POLICY.

As already indicated in Section 3, the manufactures of the Colony are as yet unimportant, and the import trade in fabricated goods is likely to remain considerable for some time. A not inconsiderable portion of the total value of imports is made up from foodstuffs obtained chiefly from Canada, some of which might be replaced by home-grown products if agriculture were fostered in the Colony with Government assistance.

The fishing industry, on account of its importance and the depressed state of the trade in recent years, has received the Government's attention. Trade Commissioners were appointed in the markets to which the products of the fisheries were chiefly exported. The activities of these officials were not confined to propaganda or to the establishment of relations between the buyer and seller, but included the negotiation of sales of fish on behalf of merchants in the Colony The Trade Commissioner service has now been abandoned.

The railways in the Colony, as well as the steamship, telegraph and express services, were operated by a private company until 1923, when they were acquired by the Government under an Act passed by the Legislature, as a means of settling disputes of long standing with the private concern. The steamship service provides for regular communication with Canada.

Reference has already been made to the assistance given by the Government in connection with an important scheme for the development of hydro-electric power and the production of pulp and paper. Employment, badly needed because of trade depression, was thus afforded for local labour.

5. TRADE AND COMMERCE.

5(a) Exports.—The exports (including re-exports) from the colony for the year ended 30th June, 1923, were of the total value of 20,986,863 dollars, of which 12,374,169 dollars represented products of the fisheries and 5,427,809 dollars manufactures, almost exclusively in the form of pulp and paper. The total exports for the year ended 30th June, 1924, were of practically the same value ($21,071,571).

5(b) Imports.—Imports for the year ended 30th June, 1923, were valued at 19,321,824 dollars. Approximately one-third of the total represents imports of flour, salt beef, pork, butter, molasses, sugar, tea and salt, flour being by far the largest item. Of the import trade, about 43 per cent. was obtained by Canada, 36 per cent. by the United States of America, and only 16 per cent. by the United Kingdom. In 1913-14, the percentages for the three countries in question were, respectively, 32 per cent., 38 per cent. and 25 per cent. As might be expected, the percentage of trade obtained by the United Kingdom was even lower during the latter part of the war period, but, although some recovery has been made, the percentage was until recently less than half that of 10 years ago.

The figures for the year ending 30th June, 1924, show a marked increase in the percentage of the United Kingdom, as will be seen from the summary below. Details of the items are not yet available, but the increase is probably attributable to the importation of machinery and supplies for the hydro-electric enterprise to which reference has been made.

Imports.

From	Value. $
United Kingdom	6,250,360
Canada	11,569,434
U.S.A.	8,589,290
Other countries	1,268,098
Total	$27,677,182

Whilst it is true that imports from Canada are largely in primary products, purchases are made, both from the Dominion and from the United States of America, of goods which this country also supplies. For example, from Canada are imported stationery, mining machinery, paint and rubber footwear; and similar classes of goods are obtained from the United States of America, with the addition of hardware, sole leather, leather footwear, dry goods and clothing, and smallwares. Purchases from this country are chiefly in coal, dry goods and clothing, smallwares, soap, tea, and machinery of various kinds. The loss

of trade by this country in the classes of goods which could be supplied, and are still being supplied, though in more limited quantities, is generally attributed to the diversion of trade during the war period and the failure of many United Kingdom firms to maintain intimate contact with purchasers in the colony and to study local requirements in a manner comparable with that adopted by their principal competitors. The import and export trade of the colony is conducted chiefly through the medium of a limited number of merchant houses, some of old standing, established in the capital city of St. John's, and some of these firms have permanent connections in this country, or send their buyers regularly to England. On the other hand, the comparative proximity of the colony to Canada and the United States of America facilitates the visits of their travellers to Newfoundland, and a personal visit to the market seems to be almost an essential preliminary for any United Kingdom firm desiring to regain trade lost to our competitors. On this point a former Senior Trade Commissioner in Canada wrote in a report prepared in 1921 following a visit to the colony, as follows :—

> "I cannot too strongly urge upon United Kingdom manufacturers the importance of visiting Newfoundland personally, or of sending their representatives at frequent intervals. Many manufacturers arrange for Canada to be visited periodically, but completely ignore Newfoundland. In the latter place there is no demand whatever for certain lines which find a sale in Canada, but in the other goods, owing to the absence of domestic manufacture, the quantities purchased are out of all proportion to the population, and considerably exceed the per capita sales in Canada. I would suggest to United Kingdom manufacturers, whose products could be sold in Newfoundland, that representatives visiting Canada should be instructed to sail from England by direct boat to St. John's, Newfoundland. After a stay of a few days there, they could take one of the frequent boats to Halifax, Nova Scotia, and commence their Canadian tour."

It cannot be said how far this advice has been followed. Commercial representatives visiting Canada may proceed directly to the Dominion when their object is to secure orders or to establish connections in the North American continent for the first time, and they might well consider the inclusion of Newfoundland in their itinerary. On the other hand, many travellers, especially those representing firms with established trade with the U.S.A. or Canada, proceed first to New York and enter the Dominion from the U.S.A. The comparatively small volume of business to be obtained in the colony may also be regarded by some United Kingdom firms as insufficient inducement to incur the cost and inconvenience of a visit to Newfoundland.

The nature of the colony's chief requirements and its proximity to Canada and the U.S.A. are likely to ensure the continuance of purchases on a considerable scale from those countries. It is, perhaps, by the investment of capital for development of the island's natural resources and the establishment of new industries, rather than by commercial propaganda, that imports from this country to Newfoundland are likely to be influenced.

SOUTH AFRICA.

NOTE.—The figures on this page relate to the whole of British South Africa, not the Union alone.

	1904.	1911.	1921.
Population	7,083,000	8,197,000	9,570,031

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
United Kingdom exports to South Africa	18,018	23,024	28,748
United Kingdom re-exports to South Africa	1,554	1,917	1,480
United Kingdom imports from South Africa	5,454	12,495	15,883

NOTE.—The above figures exclude diamonds imported. The value of diamonds exported from South Africa to this country was £11,989,000 in 1913, and £8,096,000 in 1923. Bullion and specie are also excluded.

South African Trade Returns.	1907. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
Total imports (excluding bullion and specie)	27,460	43,699	58,697
Imports from United Kingdom (excluding bullion and specie)	16,094	24,945	32,016
Percentage from United Kingdom ...	58·6%	57·1%	54·5%
Total exports (domestic) (excluding bullion and specie)	17,428	26,288	36,901
Exports to United Kingdom (excluding bullion and specie)	15,489	21,371	21,898
Percentage to United Kingdom ...	88·9%	81·3%	59·3%
Total exports of gold (raw and concentrates)	29,627	40,516	41,623
Exports of gold to United Kingdom (raw and concentrates)	29,627	40,516	40,050
Percentage to United Kingdom ...	100·0%	100·0%	96·2%

Currency.—The unit of currency is the £. The rate between London and South Africa is normally within two or three per cent. of par.

Owing to the lack of precise statistical and economic data respecting some parts of British South Africa, the remainder of this survey deals with the Union only.

1. FINANCIAL POSITION.

1(a) Union Finance.—The following are the Budget statements for 1922/23, 1923/24 and 1924/25 respectively :—

1922/23.	
Expenditure	£28,401,000
Revenue	27,047,000
Deficit	1,354,000
1923/24.	
Revenue	£25,272,648
Expenditure	24,100,356
Surplus	1,172,292
Estimates 1924/25.	
Revenue	£23,891,000
Expenditure	23,974,648
Deficit	83,648

The expenditure for 1924/25 includes £300,000 for unemployment and £100,000 for relief works.

1(b) External and Internal Debt.

——	1911.	1914.	1916.	1918.	1920.	1923.
Total amount (£ millions)	114	126	151	160	174	200
Percentage of total; external	91	89	87	79	71	66
Percentage of total; internal	9	11	13	21	29	34

The revenue has increased at a greater rate than the total debt, and the amount of the external debt is not much greater than the pre-war figure, the increases being mainly subscribed inside the country.

Annual Debt Charge.

——	1919–20.	1920–21.	1921–22.	1922–23.
Annual Debt Charge (£1,000's) ...	6,911	7,316	7,787	8,456
Per head of European population (£s)	4·6	4·8	5·05	5·35
Per head of total population (£s) ...	1	1·05	1·1	1·12
Percentage of Revenue absorbed by Public Debt charge	25·70	24·65	26·95	34·84

Loan Expenditure.

	1919-20. (£1,000's)	1921-22. (£1,000's)
War Expenditure	2,073	228
Railways and Harbours ...	3,187	5,994
Local Works	918	1,931
Irrigation	463	1,005

With regard to the debt charge, there has been very little increase per head if allowance is made for the reduced value of money.

In the Loan expenditure there has been a very considerable increase on Railways and Irrigation, representing deferred capital expenditure due to the war and the conditions in the year following its termination.

1(c) Price Movements.—The following table shows the changes in the general level of prices in South Africa. It will be observed that the values of South African commodities in 1922-23 approached the 1913 level of prices, and, except for the inflation period of 1920, have never exceeded 40 per cent. above that level.

The great difference in the price increases of South African and imported goods is explained by the fact that the great bulk of her products consists of agricultural produce, which has experienced relatively low values throughout the world, and gold, which, until the introduction of the gold premium, was kept at the old pre-war Mint price.

Wholesale Prices.

Index Numbers.

	1910-1922. South African Goods.	Imported Goods.
1910	1,000	1,000
1913	1,169	1,017
1914	1,083	1,106
1915	1,153	1,325
1917	1,373	2,091
1919	1,584	2,525
1920	2,249	3,185
1921	1,527	2,501
1922	1,277	1,870
1923	1,287	1,773

1(d) Railway Finance.—The whole of the railways and harbours are, with few exceptions, the property of the Government, and have been administered, since the Union, under the South Africa Act, 1909, which provides that the total earnings shall not be more than are sufficient to meet the necessary outlays for working, maintenance, betterment, depreciation, and the payment of interest due on capital.

The capital expenditure at 1910 was £75,000,000, and at March, 1922, £103,000,000. For the last five years of this period the workings showed a loss, rising to £1,400,000 on the last year's working, after interest provision.

The year to March, 1924, has resulted in a surplus of £1,450,267, instead of an anticipated deficit of £513,000. A record year's traffic was carried. The Minister anticipated a loss of revenue for the ensuing year, owing to revenue sacrificed in the recent reduction of rates, and traffic reduction owing to locusts and drought. A surplus of £200,000 is, however, expected.

1(e) Banking.—Proportion of Cash Reserve to Deposits and Advances :—

South African Banks.

——	1907-8.	1911.	1914.	1920.	1922.
			(£ millions.)		
Deposits	38	44	45	102	84
Advances	31	41	41	91	65
Cash in Hand	8	8	9	14	13
Notes issued	1	2·3	3	8·4	8·6

The increased credit facilities during the boom are shown by the rising ratio of advances to cash reserves; the above figures also show the subsequent contraction of credit and the commercial and industrial depression which followed the inflation period.

On June 30th, 1922, the commercial banks ceased to issue their own notes. This function is now performed by the South African Reserve Bank, which has sole custody of the Banking Reserve and controls the discount policy.

As a result of the unpegging of the exchanges after the war, the outflow of specie caused the Union Government to suspend the convertibility of the bank note The Union Government has now announced its intention to revert to the gold standard on 1st July, 1925.

1(f) Credit Position.—Deflation, following the boom period, has as in most countries brought financial difficulty, if not ruin, to many. In 1921 most of the bankruptcies were among the small traders, there being few failures among well established firms. Even during the middle of 1924 insolvencies originating in the slump of 1921 were continuing to take place. The Chambers of Commerce throughout the country have urged that the provisions of the company laws should be made more stringent.

2. CAPITAL RESOURCES AND INTERNAL DEVELOPMENT.

As stated in the Report of the Committee to consider an economic policy for the Union:

> "South Africa depends, and must for a long time to come continue to depend, mainly upon the two basic industries of agriculture and mining. The present state of development which has been reached is based upon these two industries; and, although manufacturing industries have attained importance and should be fostered by every means which may prove to be effective, the fact still remains that the mainstay of the country is, and the prospects of development are mainly dependent upon, the production of food, minerals and raw materials for local consumption and for export. For the products of its primary industries, agriculture and mining, South Africa to yet a great extent looks to a world market. The same as yet cannot be said of our manufacturing industries. Agriculture in many respects has made notable progress. The exploitation of the enormous mineral deposits of South Africa has not been neglected. But much more remains to be done, and concentrated effort is required to accelerate development."

The development of the economic resources of the Union since the pre-war period is discussed in the following notes:—

2(a) Mining.—*Gold.*—The annual export of gold is normally in the neighbourhood of £35,000,000—more than one-half of the Union's total exports. The low grade mines present a difficult problem, working as they do upon a very narrow margin of profit, but the re-organisation which followed the Rand disturbances has enabled the managements to reduce working expenses to an extent which more than counter-balances the reduction of the gold premium.

The value of the annual production during the period 1906 to 1922 was:—

——	1906.	1911.	1921.	1922.	1923.
£ Millions	25	35	43	32	42

The following figures show:—

(*a*) the Capital in the gold mines (value of assets less liabilities).
(*b*) working costs. in shillings and pence per fine ounce
(*c*) working profit. of gold recovered.

——	1911.	1914.	1921.	1922.
Capital (in Millions of £'s) ...	74	66	65	60
Working Costs	54/10	54/10	76/5	67/9
„ Profit	29/1	28/10	28/2	22/11

Diamonds.—The diamond trade, being a luxury trade, naturally suffers from the present world-wide depression. The Union's exports, after being over £11,500,000 in both 1919 and 1920, fell to £1,355,500 in 1921. They increased to £4,386,500 in 1922, and, in 1923, to £7,207,087, of which the United Kingdom took £6,672,623.

The following statement shows the decline and recent revival of this important trade.

—	1906.	1911.	1921.	1922.	1923.
Production: metric carats (1,000's)	4,206	5,022	828	670	2,053
Value (£1,000's)... ...	9,597	8,747	3,103	2,267	6,038

Other Minerals.—The following statement shows the widely fluctuating production of other important minerals:—

—	1920.	1921.	1922.	1923.
Copper (£1,000's)	418	6	39	405
Silver „	246	137	171	198
Tin „	436	140	60	170
Coal	4,520	5,072	3,395	3,714

2(b) Agricultural and Pastoral.—*Ostriches.*—As a result of their domestication ostriches increased rapidly in numbers. The industry reached its greatest development in 1913, the value of the feathers exported being nearly £3,000,000. Towards the end of that year, owing mainly to over-production, followed by the war, the industry collapsed. After the Armistice prices were restored to a basis on which the industry could pay, but it is still depressed.

Ostriches.	1904.	1911.	1913.	1920.	1922.
No. of (1000's)	361	747	776	284	268
Export of feathers (£1,000's).	*1900–4. 923	*1905–9. 1,626	*1910–14. 2,286	1920. 547	1922. 394

* Average annual export.

Goats.—The severe droughts in the Angora districts which devastated the country in the years subsequent to 1913 are mainly responsible for the reduction in the number of Angora goats since that time. Practically all the mohair is shipped overseas, almost entirely to the Bradford market.

Goats.	1904.	1913.	1921.	1922.
Number of Angora (1,000's) ...	3,393	4,194	2,285	2,272
Others (1,000's)...	6,378	7,211	5,552	6,064
	*1905-09.	*1910-14.		
Export of Mohair (£1,000's) ...	£750	899	584	1,152
There is also a small export of goat skins.				

* Average annual export.

Fruits.—The consumption of fruit in the Union is very great, and plantings are being considerably extended. A wide range of fruit is produced, due to variations of altitude, from the coast to heights of 8,000 feet. The fruit export is governed by regulations under the Fruit Export Act, 1914, the object of which is to maintain a high standard of quality in all fruit exported. In 1921 the South Africa Fruit Growers Exchange was instituted for the proper organisation of the trade. Canneries have been established, principally at towns near the coast.

The following table shows the number of fruit trees on farms in various years and the exports of fresh and dried fruits :—

Fruit.	1911.	1921.	—	—
Number of Trees :				
Citrus (1,000's)	1,563	2,348	—	—
Non-citrus (1,000's)	9,743	14,833	—	—
Exports :				
Fresh (including nuts)	*1910-14.	1920.	1921.	1922.
(£1,000's)	56	183	420	528
Dried	1·3	155	194	311

* Average annual export.

Wool.—The wool industry in the Cape district should have a good future, since principally merino wool is produced and the areas available for the development of wool-growing are enormous.

Almost the whole of the Union wool clip is shipped overseas. In the early part of 1917 the scarcity of freight caused a falling market. Most of the United Kingdom firms ceased buying, but the situation was saved by the purchase by the Imperial Government of the clip, at prices based on 55 per cent. above those of 1913-14. Prices have fluctuated considerably since then. The boom occurred at the end of 1919 and beginning of 1920, and was followed by a slump, when prices fell to pre-war level for a time.

The quality has considerably improved in recent years by selection of stock. Several wood growers' associations have recently been formed. Huge stocks accumulated in the Union early in

1921. During 1922 and subsequently there has been increasing demand from Germany, France and other parts of Europe.

Wool	1911.	1916.	1919.	1920.	1922.
Sheep, woolled (1,000's)	21,842	26,491	26,009	24,764	26,091
	1917–18.	1919–20.	1920–21.	1921–22.	
Production, yearly (million lbs.)	124	132	136	140	
	*1910–14.	*1915–18.	1919.	1920.	1922.
Export (£1,000's) ...	4,494	7,613	17,919	15,988	11,001

* Average annual export.

Cotton.—Cotton growing is being given serious attention in the Union. Areas in Natal and further North are being taken up for cotton growing, and the East London Cotton Growers' Association is fostering the industry in the Eastern Province, with good results. A plentiful supply of native labour is available.

The existence of excellent shipping facilities and a favourable climate place the South African cotton planter in a good position. Land transport costs may prove a handicap.

Owing to the limits of the local market for most raw materials, commodities like cotton, for which there is likely to be a constantly increasing overseas demand, are attractive to the producer. At present cotton is grown on plantations owned by farmers, and is not a native industry.

The yield increased from 800,000 lbs. in 1917-18 to 2,800,000 lbs. in 1921-22.

	1917–18.	1919–20.	1920–21.		1921–22.	
Area in acres (under cultivation)	7,575	11,465	19,084		15,169	
	*1910–14.	*1915–18.	1919.	1920.	1921.	1922.
Raw Cotton Exports (£1,000's)	0·9	5·7	19	70	37	71

* Average annual export.

Maize.—This is the chief grain crop of the country. During the past few years the yield of maize has increased. Still greater yields are anticipated in the future from intensive culture.

> " The maize zone in South Africa may be said to possess two valuable advantages over the famous corn belt of the U.S.A. The growing season is longer by from 4 to 7 weeks,

and the drier atmospheric conditions in the Union produce a grain with a lower moisture content. This grain being thereby less liable to injury during transit is more suitable for export as well as for manufacturing purposes. . . Labour is fairly plentiful and cheap, with an expanding home market, and an assured and readily accessible market over-sea.''*

The industry is likely to be much stimulated by the installation (on which a beginning has been made) of an extensive grain elevator system throughout the Union.

The maize production has increased from 1,700 million lbs. in 1911 to 2,500 million lbs. in 1922. The corresponding figures for the milled production were 530 million lbs. to 850 million lbs.

——	*1910–14.	1920.	1921.	1922.
		(£1,000's.)		
Export of Maize ...	409	344	2,296	1,426

* Average annual export.

Wine.—A good deal of government assistance has been given to this industry. Towards the end of 1917 low prices caused a set back. For the purpose of organising the production and marketing of the wine, the Co-operative Wine Farmers' Association of South Africa was instituted. Its main object was to fix minimum prices to permit of profitable production.

There are hopes of obtaining greater popularity for South African wines in this country. To attain this it is recognised that considerable attention will have to be given to the maintenance of a high and uniform standard of quality. In the matter of price they can easily compete with French wines. The production was $5\frac{3}{4}$ million gallons in 1904, 17 million in 1921, and 13 million gallons in 1922.

Sugar.—The following figures show :—

(*a*) the production.
(*b*) amount exported.
(*c*) amount imported.

——	1910–11.	1919–20.	1921–22.
		(Tons of 2,000 lbs.)	
Production	82,000	189,183	146,987
Exports	2,790	27,495	36,652
Imports (net)...	32,321	1,359	17,668

* Official Year Book.

The growth of the gold mining industry provided the market for Natal sugar in 1880-89. Subsequently to 1904 the sugar industry suffered from the competition of German beet sugar. Since 1910 the local demand has considerably increased and has caused a rapid progress, as shown by the statement.

It is in Zululand that further development is likely to occur, as the cultivable area in Natal is becoming fully developed. A sugar refining industry is well established in Natal. Insufficiency of local labour necessitates recruiting outside the territory. Europeans are employed as overseers and managers where the size of the enterprise warrants it.

Local consumption is now almost entirely met by local production, but the Mozambique product has usually been an important factor in the market.

3. INDUSTRIAL POLICY.

The following is an extract from a report of a committee appointed in 1923 by the Minister of Mines and Industries to consider the question of an economic policy for the Union :—

> " It may be pointed out that, from the standpoint of the State, the importance of manufactures lies in their effect upon employment of its citizens and production as a whole. It is obvious that present South African conditions—with a limited local market and high cost of production—preclude the successful establishment of many industries. The Committee is of opinion that, if, after investigation, any industry is found to be practicable and of advantage to the country as a whole, its development should be promoted by every legitimate means and it should be protected against destruction by unfair competition from other countries. Industries using South African raw materials are obviously most desirable in providing employment both for the producers of such raw materials and for the factory employees. Each industry, as far as it looks to the State for recognition, assistance or protection, must be dealt with on its merits. No formula appears to be required or to be desirable. But each case must be dealt with by a body capable of applying a reasoned policy which shall have the distinctive element of continuity."

It is thought that considerable expansion is inevitable in those manufacturing industries, such as engineering supplies, leather goods, confectionery and food preparations, woollen clothing, etc., where raw materials are produced locally and for which there is already a fair local market. It is, of course, recognised that any considerable expansion of particular industries depends on the finding of overseas markets, and this will take time.

The following statement shows :—

(*a*) the value of the total product of the South African factories from 1911 to 1922;

(*b*) the value of South African material and imported material used in factories for the years 1915-1916 to 1921-22; and therefore

(*c*) the value added by South African industries for the same periods.

—	1911.	1915–16.	1917–18.	1919–20.	1920–21.	1921–22.
			(£1,000's.)			
Gross value of factory production ...	17,249	40,435	60,123	92,914	98,308	79,446
Value of South African material used ...	—	10,025	17,834	28,554	26,452	18,645
Ditto imported material ...	—	12,291	16,414	25,298	31,513	24,178

The following table shows the above information for those classes of industry, which, owing to the high proportion of value added in the Union or of South African materials used, are likely to receive prior consideration in connection with the policy of fostering local industries :—

—	1921–22.			
	Total of factory production.	South African material used.	Imported Material.	Value added.
		(£1,000's.)		
Metals and Engineering	16,658	298	8,564	7,796
Food and Drink ...	25,891	14,454	3,475	7,962
Books and Printing ...	4,073	7	1,306	2,761
Chemicals	5,615	812	2,866	1,937
Leatherware	2,238	942	370	926
Building and Contracting	7,470	267	3,068	4,134

The values of (*a*) machinery and plant and (*b*) land and buildings (owned by occupiers) in use in the Union factories in the year 1921-22, in particular groups of industry, are shown in the following statement. This may be studied in connection with

the previous table, showing for approximately the same industries the values of materials used and value added.

	1921-1922.	
	Machinery and Plant.	Land and Buildings.
	(£1,000's)	
Metals and Engineering ...	3,273	2,514
Food and Drink	6,020	4,676
Chemicals	2,141	1,877
Heat, Light and Power ...	11,457	1,946
Total (all factories)	27,861	15,103

Special reference should be made to the coal and iron industry. In this connection the following observations of the Committee appointed to consider an economic policy for the Union may be quoted :—

> " It is impossible to exaggerate the importance to South Africa of a great coal and iron industry, if this can be established successfully. The combination of large South African coal and iron ore deposits provides the basis of a staple industry which, if found possible to establish on a sufficiently large scale, might in itself be expected in time to make up the deficiency in South African production due to the decreasing output of the gold mines and lead to various ramifications of important manufactures consequent upon the primary industry.
>
> " No effort should be spared, and every practicable encouragement should be offered, by the State towards promoting such an industry. The experience of other countries shows that growth of manufacturing industries and of population mainly depends on the exploitation of large coal resources, These South Africa possesses, and their full development would yield :—
>
> (*a*) possibly the cheapest power in the world for railways, mines and manufacturing industries.
> (*b*) power and heat for the fixation of atmospheric nitrogen, for which a large local market already exists.
> (*c*) coal products and by-products.
> (*d*) coal and coke export.
> (*e*) iron and steel primary products, and numerous secondary manufactures based on them."

The Iron and Steel Industry Encouragement Act (No. 41 of 1922) makes provision for the payment, out of the Consolidated Revenue Fund, of bounties in respect of pig iron and steel produced in the Union from ores mined in the Union. These bounties are to be paid only if the plant is capable of producing at least fifty thousand tons of pig iron or steel per annum.

The Schedule to the Act sets forth the rates at which the bounties are to be paid, viz. :—

Financial Year.	Per Ton of Pig Iron or Steel Produced. s.	d.
1924-25	15	0
1925-26	15	0
1926-27	15	0
1927-28	12	6
1928-29	10	0
1929-30	7	6
1930-31	5	0
1931-32	2	6

At present the main production is from scrap, and efforts to induce British or European steel manufacturers to develop the industry from local ores have not matured.

4. COMMERCIAL POLICY.

The existing tariffs were imposed for revenue purposes, with a general Empire preference of 3 per cent. A new Tariff Bill is now before the legislature, under the provisions of which preference is only to be accorded to selected categories of goods.

4(a) " Dumping " duties.—A " dumping " duty upon goods of a kind produced in the Union has been provided for in legislation of 1914, 1922, and 1923, but action was never taken under the 1914 Act. In addition to authorising the imposition of an extra duty when the export selling price is less than the home consumption price plus f.o.b. charges, the later Acts provide for protection against depreciated currencies and low freight rates.

4(b) Board of Trade and Industries.—The Board of Trade and Industries Act, 1923, provided for the setting up of a Board to advise on tariff and industrial development matters. This Act provides that, whenever a recommendation is made by the Board in favour of tariff protection or State assistance for any trade or industry, it shall be the duty of the Board to

(1) specify the natural or economic advantages deemed to favour the ultimate success of that trade or industry.
(2) set out its existing extent and condition.
(3) state the need and form of help and period for which required.
(4) report the ultimate prospects of carrying on without State assistance.
(5) estimate the probable cost to be borne by the community if a protective tariff is recommended.

5. EXTERNAL TRADE DEVELOPMENT.

As will be observed from the following percentage figures representing the various classes of exports from the Union from 1910, the products of mines still comprise the great bulk of the exports, although the proportion to the whole has steadily decreased since 1910. Agricultural and pastoral produce also contribute an important share and show a steady increase.

From the small percentage of " other articles," which include manufactured products, it will be seen that the manufacturing industry of the Union is still in its infancy, but is slowly growing.

Proportion per cent. to total value of exports of various classes from the Union from 1910 :—

Year.	Agricultural and Pastoral Produce.	Products of Mines.	Other Articles.	Exports to Rhodesia and Re-exports.
	%	%	%	%
1910	17·8	78·3	0·5	3·4
1914	22·9	71·3	0·9	4·9
1921	24·2	67·0	1·4	7·4
1922	29·9	60·9	2·1	7·1

The following table shows the value and percentage of the exports from the Union to the United Kingdom, the British Empire and Foreign countries :—

Year.	To United Kingdom.		Other parts of Empire.		Foreign Countries.		Unspecified Destinations (Ships' Stores and Parcel Post).	
	Value (£1,000's.)	%	Value (£1,000's.)	%	Value (£1,000's.)	%	Value (£1,000's.)	%
1910 ...	47,490	88·6	1,474	2·8	3,614	6·7	1,031	1·9
1913 ...	59,026	88·7	2,034	3·1	4,295	6·5	1,214.	1·7
1921 ...	*55,165	74·2	*6,691	9·0	8,775	11·8	3,723	5·0
1922 ...	*47,518	73·1	*4,972	7·7	10,188	15·7	2,301	3·5
1923 ...	*59,338	73·7	*7,133	8·9	11,674	14·5	2,397	2·9

* Includes gold premium.

The value of the exports to the United Kingdom in 1922 was approximately the same as in 1910, in spite of the increase in prices since that time and the inclusion of the value of gold premium. The rest of the Empire and foreign countries now take an appreciably larger proportion of the Union export.

It must be remembered that, until recently, practically all the gold of South Africa was sent to this country, and this accounts

for upwards of £30,000,000 annually. Arrangements have now been made with the Bank of England for direct shipments to be made to India.

From the following table it will be observed that the Union maintains a favourable visible trade balance :—

	Imports. (£1,000's)	Exports. (£1,000's)
1910	36,727	53,609
1913	41,829	66,569
1914	35,355	55,047
1921	57,800	74,354
1922	51,413	64,979
1923	57,814	80,542

It is difficult to get an estimate of the invisible as well as visible exports and imports. The following figures were compiled by the Department of Finance for 1922 :—

	£ Millions.
*Imports of merchandise	51½
*Freight and insurance on imported goods ...	4
†Money spent by Union Nationals abroad ...	4 net
†Interest and dividends, profits, etc., remitted abroad	16 net
†Money invested abroad	-
Total	75½

	£ Millions.
Exports of merchandise, bunker coal and ships' stores	65
Money spent by foreign Nationals in Union ...	-
Interest and dividends on money invested abroad	-
Money borrowed abroad, capital introduced by settlers, etc.	10 net
Total	75
Adverse balance, total trade	½

Generalising from the above, we can say that the exports and loans would render available to South Africa's credit a sum of £75 millions, of which imports, freights, etc., and money spent by Union Nationals abroad would absorb 59½. Of the remaining 15½ millions, the majority would be absorbed by interest and dividend payments in London, on account of public loans by the Union and shareholdings in the gold and diamond mining companies. At the same time, the continuance of a rate of exchange which discounts the value of exports to this country by as much as 3 per cent. indicates that large sums are

* Ascertained. † Estimated.

accumulated in London. One consequence of this is that the importation of further capital becomes very costly. As will be seen from the following figures, since early 1921 money could only be remitted to South Africa on payment of a considerable premium, and with this amounting to as much as 3 per cent. it means that a rate of even 7 per cent. does not attract capital.

Rates for telegraphic transfers, London on South Africa, 1921-23.

	Premium. Per cent.
1921	
February	par
August	1
December	1½
1922	
July	1½
December	3
1923	
May	2½

From the point of view of the British exporter, the above rates were, of course, favourable.

6. COMPETITIVE SITUATION.

The United Kingdom has almost maintained her position as the chief source of supply of South Africa's imports, contributing 52 per cent. in 1923 of the total, as against 54 per cent. in 1913. Over the same period, the contribution from the rest of the Empire has increased from 12 per cent. to 14 per cent., so that the share of the trade enjoyed by the Empire is practically unchanged. The following table of imports of competitive merchandise into the Union shows the general position :—

	1913.	1922.	1923.
Total value of merchandise (£1,000's)	38,526	47,228	54,544
Percentage from United Kingdom...	54·4	54·2	52·1
British Possessions—			
India	2·8	4·1	4·2
Canada	2·2	2·5	3·3
Australia...	5·2	2·1	3·2
Other	2·1	3·2	3·8
Empire	66·7	66·1	66·6
Foreign Countries—			
Germany...	8·8	5·7	5·0
United States of America ...	9·5	12·0	12·9

The following statement indicates the articles in which competition from other countries is most marked.

Article.	Principal competing countries.	Article.	Principal competing countries.
Aluminium ware...	Germany.	Fencing wire ...	Germany, U.S.A.
Bags and sacks ...	India.	„ standards	Belgium.
Beads	Italy.	Hose, conveying ...	U.S.A.
Bioscope films ...	U.S.A.	Dairy utensils ...	Sweden.
Cement	Canada, Belgium, Denmark and Germany.	Ploughs, etc. ...	U.S.A., Germany and Canada.
Clocks and watches	Switzerland, Germany and U.S.A.	Reaping and mowing machines.	U.S.A.
Cotton blankets and rugs.	Belgium and Holland.	Mechanics' Tools...	U.S.A. and Germany.
Cotton hosiery and underclothing.	U.S.A. and Japan.	Tyres	U.S.A. and Canada.
Electrical material :—		Pianos	Germany.
Batteries, secondary.	U.S.A.	Belts, driving and conveying.	U.S.A.
Lamps	Holland and U.S.A.	Mining machinery	U.S.A.
Motors	U.S.A. and Germany.	Windmills ...	U.S.A.
Enamel ware ...	Germany.	Superphosphates...	Holland.
Baking powder ...	U.S.A.	Newsprint ...	Canada and Sweden.
Glass :—		Perfumery ...	U.S.A.
Bottles and jars	Germany and U.S.A.	Silk :—	
Plate	Belgium.	Piecegoods ...	Japan and France.
Window ...	Belgium.	Hosiery and underclothing.	U.S.A.
Corsets	U.S.A.	Playing cards ...	U.S.A.
Cutlery	Germany.	Typewriters ...	U.S.A.
		Toys	Germany.
		Motor bicycles ...	U.S.A.
		Motor cars ...	U.S.A. and Canada.

In general it may be said that Germany is gradually increasing her trade in the Union. That country has now fully regained her pre-war percentage of trade in such commodities as cutlery, hardware, toys, musical instruments, clocks and watches, enamelled ware, glass and glassware, lampware, certain kinds of machinery.

The following show increased percentages from U.S.A. :—

Boots and shoes, cotton piece goods, cotton and silk hosiery, drugs and chemicals, food and drink, furniture, glassware, haberdashery, india-rubber goods, galvanised and corrugated iron, machinery, motor cars and motor bicycles, paints, perfumery, soap.

6(a) Local Production.—The general question of South Africa's local industries has already been referred to. In certain lines the local product is increasingly entering into competition with the imported commodity.

The lines in which this has most manifested itself include :—

Boots and shoes; brushware; candles; cement; food products generally, including confectionery, flour and meal, hams, etc.; coal, coke and patent fuel; furniture; certain chemicals and medicinal preparations, such as Glauber salts, sulphuric acid, Epsom salts, calcium chloride, carbide; saddlery, heavy leather goods; soap; sugar; cast steel (shoes and dies for the mines)

AUSTRALIA.

	1901	1911	1921
Population ...	3,773,801	4,455,005	5,435,734

British Trade Returns. (Merchandise only.)	1904. (£1,000's.)	1913. (£1,000's.)	1923. (£1,000's.)
United Kingdom exports to Australia ...	17,336	34,471	57,700
United Kingdom re-exports to Australia ...	2,505	3,358	4,175
United Kingdom imports from Australia...	23,660	38,065	49 005

Australian Trade Returns.	1904. (£1,000's.)	1913. (£1,000's.)	(Year ended 30 June.) 1923. (£1,000's.)
Total imports (Merchandise) ...	35,817	78,196	131,704
Imports from United Kingdom (Merchandise)	22,429*	40,949	68,390
Percentage from United Kingdom	62·6%	52·4%	51·9%
Total exports (Domestic Merchandise)	38,563	72,837	111,407
Exports to United Kingdom (Domestic Merchandise)	22,043†	33,332	51,469
Percentage to United Kingdom...	57·2%	45·8%	46·2%
Total exports (Domestic) of bullion and specie	16,540	2,301	3,345
Exports to United Kingdom of bullion and specie	5,243†	639	54
Percentage to United Kingdom...	31·7%	27·8%	1·3%

* Figures are for "whence imported," not "country of origin" as in 1913 and 1922–23.

† Country "to which shipped," not "final destination" as in 1913 and 1922–23.

Currency.—The unit of currency is the £. The rate of exchange fluctuates within a few per cent., premium or discount, of parity.

1. FINANCIAL STABILITY.

Since the war Australia has experienced a period of prosperity; her natural resources are so great that her future may be looked upon as assured, despite the probable recurrence from time to time of setbacks such as she has suffered in the past. There is probably no country the general prosperity of which has suffered less from the chaos arising out of war conditions; but there are few countries of similar political stability in which the cost of living has receded so little from the high level of 1919-20 as in Australia.

On 31st July, 1924, the Commonwealth Treasurer presented his Budget to the Lower House and indicated a surplus of over £2,500,000 for the year. Owing to the enormous Customs receipts, the revenue had been over £4,000,000 more than the estimate. One-half, approximately, of the whole of the Commonwealth Government's revenue is obtained from Customs and Excise. The accumulated surplus from successive Budgets amounted, at the end of the financial year in June, 1924, to £10,000,000 in round figures, of which £5,000,000 has been used for debt redemption. Such balances are due almost entirely to the unexpectedly large revenues derived by the Customs Department from the duties upon imported goods, and should not, therefore, be regarded as an indication either of any important increase in the overseas markets for Australia's exports, or of accumulated wealth. The large volume of imports is due not only to the credits created overseas in the ordinary course of trade by the sale of Australian produce, but also in considerable measure to the borrowing, by the Commonwealth and State Governments, of large sums of money in this country; these borrowings have affected the rates of exchange so that it is profitable to make purchases in the United Kingdom; the economic law by which the balancing of international financial accounts is effected by the export of goods or of services adequately accounts for the heavy imports into Australia in recent times. The policy of the Australian Government and the State Governments tends to result in larger imports of goods required by individuals than of machinery and plant for the State Governments. This matter is further discussed under the heading "Industrial Policy." As indicative of the heavy importations which have taken place, it may be mentioned that Australia's favourable trade balance of £24,780,000 in 1921-22 was converted into an adverse balance of £13,890,000 in 1922-23, and of £21,000,000 in 1923-24. Parallel with this adverse balance of trade we find budgetary surpluses, and it is believed that the unexhausted reserve of Australian credits in London favours the continuance of heavy imports; but it must not be forgotten that heavy borrowings are the true explanation of this phenomenon. Since it is impossible, under existing conditions, to transfer to Australia purchasing power derived largely from external borrowings, a shortage of money in Australia to provide

ways and means of financing next season's harvesting requirements was recently threatened—the currency at present available in the Commonwealth not being sufficient to meet the demands presently to be made upon the banks. Such a situation has occurred more than once. To meet this situation the Federal Government introduced legislation—the Commonwealth Bank Act: the regulation of currency has been entrusted to a Board, which may issue Australian notes to the Commonwealth or to other banks in exchange for money or securities held in London. A statement issued early in November, 1924, by the High Commissioner for Australia announced that the new Board of the Commonwealth Bank of Australia had arranged with the other banks to pool the purchase of bills drawn on London in connection with the export of Australian primary produce. The Commonwealth Bank issued new notes to a value of £15,000,000 to serve as advances to the banks, on the definite understanding that, at the end of the season, the advances would be repaid to ensure the cancellation of the notes.

Taxation has become a serious burden in Australia, as in many other countries. The average taxation per head in the Commonwealth before the war—in 1913—was estimated at £4 13*s*. 7*d*. This had risen in 1917-18 to £6 18*s*. 7*d*., and in 1923 to £12 3*s*. 7*d*. The aggregate debts of the Commonwealth and the State Governments amount, according to the latest available figures, to a sum equivalent to £159 per head of the population, but further issues have been floated since this calculation was made. The Commonwealth debt is, of course, due mainly to war obligations, and matures at various dates during the next 25 years, being fairly evenly distributed over that period. The various State debts mature over the same period in a similar way. It should be borne in mind that Australia requires a sum in the neighbourhood of £25,000,000 annually to meet the service of her external debt, mostly in the United Kingdom.

2. PRODUCTIVE CAPACITY.

2(a) Wool.—The products of Australia which have so far been the chief sources of her wealth and prosperity are commodities of which the manufacturing countries of the Northern hemisphere stand most in need. Australia can therefore find markets without difficulty for her raw materials. Chief among these sources of wealth is wool, and the unique position of the Commonwealth in regard to the capacity to produce the finest merino wools in large quantities places her in an enviable position, and one that, judging from the present world position, will be unassailable for some time to come. Competition for this product grows keener every year. Wool represents about one-half of the aggregate value of all Australian exports. The price is at present high. The world's supply falls short of the world's requirements, and flocks cannot rapidly be increased. Since the war, consumers have been drawing at an unexpectedly rapid rate

on the large stocks in the hands of the British Australasian Wool Realization Association; these were exhausted last year, and there are now no reserve stocks to eke out the world's annual production. The outlook for Australian pastoralists is therefore bright. Flocks in Australia are being increased so that advantage can be taken of the continued keen demand for wool.

2(b) Wheat.—Partly as a result of the expectation of higher profits from wool than from wheat, and partly as a result of the tendency of the population to drift into urban areas, wheat production in Australia shows less progress than might have been anticipated in a country with such considerable fertile areas. The present harvest, it is true, is likely to turn out better than for some years past, estimates indicating a crop of between 90,000,000 and 100,000,000 bushels. The area under wheat remains approximately stationary in Australia as a whole, Western Australia's increase in area under wheat compensating for the reduction made in other States. The increasing cost of wages and of farming machinery and requisites cannot be ignored. If, and when, Russia again becomes an important exporter of wheat, the Australian wheat farmer must be expected to suffer seriously and the agricultural community generally to feel the effects, unless by that time the Australian farmer is able to extract, at a relatively small increase in cost, a heavier average crop than at present. The average production of wheat per acre for Australia as a whole did not exceed 14 bushels during recent years; an average of at least 18 to 20 bushels should be aimed at.

2(c) Meat, Dairy Produce, etc.—For the dairy produce of Australia there is always a keen demand, and there is considerable room for expansion of this trade. Exports of frozen meats have shown some increase of recent years, and are reaching more markets than in pre-war time. The Australian cattleman is, however, much handicapped in competition with his Argentine competitor by virtue of the fact that beef shipped to Europe, the greatest market for imported meat, has to be frozen to stand the journey from Australia; while for transport from Argentina, owing to the smaller distance, chilling is sufficient. It is important, none the less, when attempting to estimate Australia's future and her capacity to discharge her financial burdens, to bear in mind the vast expansion of which the pastoral and dairying industries are capable.

2(d) Cotton.—Of recent years cotton is a crop which has shown promise in Australia, especially in Queensland. Cotton growing has received much attention and has made considerable progress. The lucrative returns obtained from the cotton crop of 1921-22, and the continuance of a guaranteed price by the Queensland Government, led to a large increase in the area planted. The Queensland acreage is yearly increasing; other districts in which promising yields have been obtained are

Northern New South Wales, near Sydney, and the Murray and Murrumbidgee irrigation areas. There is a large area of suitable cotton land along the coast of the Northern Territory, and in the north-west portion of West Australia.

The increase in the acreage under cotton has been striking (from 72 acres under cotton in 1919 to 40,000 acres in 1923), and the figures showing the output of cotton deserve attention. They are :—

	Output of cotton in lbs.	
1919	27,470	
1920	57,065	
1921	940,126	
1922	3,956,635	
1923	11,784,510	
1924	14,000,000	(estimated)

Cotton growing in Australia is largely in the hands of the British Australian Cotton Association, Limited, who have erected, and are erecting, ginneries and oil-mill plants at various suitable centres. The climatic and soil conditions are such that Australia could produce large supplies of cotton if the problem of the cost of production were satisfactorily solved.

2(e) Sugar.—The sugar industry is of great national importance to Australia. Sugar cane is grown for sugar-making purposes in the States of Queensland and New South Wales, but much more extensively in the former than in the latter. The area under crop has gradually increased, until, in 1923, it attained to some 235,000 acres, which was a record. Australian sugar is produced entirely by white labour, and her production now meets nearly all her own requirements. An export trade is being built up in preserved fruits, condensed milk, biscuits, confectionery and other manufactures requiring sugar. The home market can absorb her sugar production for the present, but large tracts of territory still undeveloped are suitable for sugar cane culture. It is estimated that there are at least 500,000 acres of suitable land available in Queensland alone, and within reasonable distance of existing mills. During recent years an effort has been made to revive the sugar-beet industry in Victoria.

2(f) Minerals.—The vast and varied mineral resources of Australia must play an important part in the future. The richness of the deposits of coal, iron, and other metals is well known, and most of the minerals utilised in modern industry are to be found within the confines of the Commonwealth. Gold, silver, lead, zinc and copper are produced in considerable quantities. Iron-ore exists in abundance throughout Australia, and its close proximity, in some cases, to the coal deposits has enabled the

production of iron and steel to attain to its present considerable proportions, which are large compared with the home requirements of the population.

2(g) Coal.—In the coal fields lies an asset of incalculable value, and there are still huge untapped reserves. The production of coal has progressively increased from year to year, and finds its export markets chiefly in South America and the Far East. Whilst much of the coal is of poor quality, rich seams of very good quality coal are also being mined. Of recent years the exploitation of the brown-coal deposits of Victoria has been undertaken with the object of establishing a comprehensive scheme of electrical power generation and transmission. The brown-coal deposits of Victoria, in the neighbourhood of Morwell alone, are practically inexhaustible; their exploitation, under the direction of the State Electricity Commission of Victoria, is progressing rapidly and cannot fail to have a beneficial effect on the industrial and social development of the State. An electric generating plant, with an initial capacity of 50,000 K.W., has been erected, and it is estimated that considerable further power will be required. The scheme provides for the supply of cheap electric current in bulk to Melbourne and the State of Victoria, as well as for the manufacture of briquettes on a commercial scale. For the latter purpose a large briquetting plant, so constructed as to permit of considerable extension, has been erected upon the coal field at Morwell.

3. POWER AND TRANSPORT.

3(a) Hydro-Electric Development.—Compared with other countries, Australia offers little prospect of hydro-electric development, owing to its comparative lack of great rivers and lakes. In Victoria and New South Wales various schemes are proposed; but it is in Tasmania that the development of hydro-electric enterprises has progressed most, owing to the natural advantages enjoyed by that island in the matter of a plentiful supply of water suitably situated. The development of that State's resources is in the hands of the Government, and satisfactory progress has been made in recent years in the construction of power stations. The cheapness of the electricity generated by the plant at present in operation has already led to the erection of a number of important factories in Tasmania, and the further use of hydro-electric resources will, it is believed, lead to the creation of a number of industries for which cheap electrical power is necessary.

3(b) Irrigation.—The importance of irrigation is being more and more recognised, and considerable progress is being made with the irrigation scheme in connection with the River Murray and its tributaries, which form one of the great river systems of the world. Navigation on the Murray and its tributaries is

at present interrupted; and, with the object of regulating the flow, a scheme providing a chain of weirs and locks with water storage, etc., has been adopted, and the work is progressing. It is estimated that, with the whole of the waters of the system, it will be possible to irrigate about 1,400,000 acres; large areas of land, therefore, will be opened up for intensive culture. The raisin and fruit growing districts of Mildura and other Victorian border lands will be served by this scheme. Although complaint has been made in some quarters of the cost of the undertaking, the Murrumbidgee irrigation area is an object lesson showing what can be done to convert a parched, unfertile territory into soil of great richness, and to utilise an asset of real national value.

3(c) Railways.—There are a number of small, private railways in Australia with a total length of about 3,000 miles. The principal railways, however, have always been in the ownership and under the control of Government, and Government management is expected to remain the railway policy of the country. In each of the States the railways are the property of the State Government, while, in addition, the Commonwealth Government has a transcontinental service and some smaller lines. The mileage of the various systems now amounts to 23,881 miles. The largest is the Federal transcontinental system from Port Augusta (South Australia) to Kalgoorlie (West Australia) its length exceeding 1,051 miles. The railways in all the States have been run at a loss for a number of years past. Railway development still continues. As recently as November, 1924, the Prime Minister signed an agreement, subject to Parliamentary approval, to construct the much debated extension of the North-South Transcontinental Railway, from the present northern terminus, Oodnadatta, to Alice Springs in Northern Territory. Such a railway can scarcely be expected to prove commercially profitable for many years, but it will open up much new territory.

The outstanding defect of the Australian railway system is the variety of gauge, a condition resulting from the fact that for years the various States were building lines of the gauge which each regarded as the most suitable. As a result no fewer than five changes of train have been necessary on the journey from Brisbane to Perth. Unification of gauge is thus an urgent need, but the cost is at present very great. A Royal Commission reported that to convert all existing lines to a standard gauge would cost £57,200,000 : some experts assert that the cost would be nearer £100,000,000. This matter has also been discussed at a Premiers' Conference, and various proposals are under consideration.

3(d) Roads.—The importance of good roads is being increasingly recognised in Australia, but the question is closely bound up with the problem of immigration, as it is not considered possible to proceed economically with any great road scheme

unless there are sufficient numbers of new settlers available to take up the land : on the other hand, no land settlement scheme can succeed without considerable road development. The construction of new, and the improvement of existing, roads is proceeding slowly and continuously throughout the Commonwealth, but no great expenditure in this direction is likely in the near future, unless there is a prospect of a large influx of immigrants. The National Roads' Association of Australia is conducting an energetic publicity campaign for the betterment of the roads in the Commonwealth, and has succeeded in causing many of the local authorities to undertake the improvement of the highways in their respective districts. The use of commercial motor vehicles is steadily increasing, and this has directed attention to the need of better upkeep of the main roadways : but the mile-cost of road-building in Australia is very heavy.

3(e) Aviation.—The possibilities of commercial aviation in Australia are boundless; few countries afford greater scope for it. It cannot at present be regarded as an entirely commercial proposition, but the existing aerial services are proving of great benefit to the districts served. Two services are at present in regular operation, one in Western Australia, and the other in Queensland; others are expected to be started soon, but the initial cost is high and capital is difficult to secure. Contracts have been entered into by the Commonwealth Government for the establishment and maintenance of mail services by aeroplanes over approved routes, under subsidy from Government funds allocated for civil aviation. Current contracts are for a period of 12 months, but it has been represented that a decision to grant contracts of longer periods would greatly encourage the aviation industry, and offer aerial service contractors greater inducement to extend their activities.

4. INDUSTRIAL POLICY.

Australia's industrial policy has been defined many times by her public men, the burden of these pronouncements being the development of Australian manufacturing industries as distinct from, though not as antagonistic to, pastoral and agricultural development.

Perhaps the most succinct statement of the Commonwealth's policy is that which appears in the 1922 Annual Report of the Bureau of Commerce and Industry. This report, made to the Minister of Trade and Customs, and issued by authority, contains the following statement :—

> " The intention of the tariff may be summarized as follows :—
>
> " I. To admit goods of British origin on the most favourable terms possible consistent with the development of local manufacture.

" II. To grant a reasonable measure of preference to reciprocating friendly countries.

" III. To exclude the products of alien communities whose conditions of labour would enable their goods to compete unfairly with local products produced under Australian conditions.

" IV. Finally, to bring into being a set of Customs duties competent to guarantee stability and permanence to every industry already established, and secure prosperity and possibility of development to many projected enterprises, the establishment of which is now certain."

In a pamphlet issued to British manufacturers from the office of the High Commissioner for Australia, a recapitulation of this statement of policy immediately precedes the following :—

" The established policy of the Government is Protection. If the present schedule " (the Tariff Act of 1920) " does not provide duties sufficient to protect new industries, consideration will be given to the matter of providing sufficient protection on the first revision of the tariff after the establishment of the new industry."

Australian raw materials are abundant, minerals, metals, wool, hides, leather and other products being available in plenty. Many of them have in the past been exported wholly, or partly, unmanufactured; but Australia wishes to work up these materials at their source. There are obviously many reasons for this desire to establish strong home industries, the inconvenience and difficulty of securing adequate supplies of essential requirements from overseas having been emphasised during the war owing to Australia's distance from any manufacturing country. Australia, then, like nearly every Dominion, has put faith in a tariff as the best means of establishing her industries, and the present policy of the Commonwealth Government is avowedly protectionist. The demand for increased protection is continually heard from all the manufacturing interests, and a very general measure of support is accorded to this demand in the public Press.

In connection with the policy of protection, it may be pointed out that the standard of living in Australia, with its enormous natural resources, is very high, and the country is determined to prevent that standard being lowered. Though output is good, the cost of production, chiefly owing to the high wage level, is also high; Australia has not the advantages enjoyed by such a country as the United States of America, where, although wages are high, the home market is such as to enable production to be undertaken on a grand scale with a corresponding reduction in overhead charges; it is this that enables the United States to enjoy the further advantage of a large overseas market for her manufactured goods. With Australia the case is entirely

different; without a considerable reduction in the cost of her manufactured goods, she cannot hope to achieve any considerable export trade in them; the cost, in fact, of many articles is so high that only a high protective tariff can secure for the Australian manufacturer even the home market. In spite of the high duties already in force, it is interesting that the Inter-State Conference of the Australian Labour Party, held at Melbourne at the beginning of November, 1924, passed a resolution urging that " an embargo should be placed on imports in order that the protection of Australia might be rendered effective."

Australia's growth as a manufacturing country is bound up with the question of costs, and it is difficult to see how the process, except at the expense of agricultural and pastoral interests, can be carried much further until the problem is solved. The solution would appear to lie in increased immigration, leading to increased production, and to a larger home market, in the first instance, for Australian manufactures.

The Bureau of Commerce and Industry was organised some years ago for the purpose of helping Australian producers in existing industries, of creating new industries and of encouraging the export trade. In particular, the Bureau has given attention to the woollen manufacturing industry. Its immediate objective, as stated in the Bureau's Annual Report for 1920, was " the manufacture in Australia of textile machinery and woollens and worsteds, etc., sufficient for our own requirements," with the ultimate objective " that Australia shall manufacture practically the whole of her wool clip into woollen and worsted goods."

A Press and pamphlet campaign was undertaken with the object of interesting Australians in making greater use of the advantages enjoyed by their country as the world's chief wool producer. By the establishment of textile technical schools, and by encouraging British manufacturers and investors to transfer a part of their plant and capital to Australia, it is hoped to give the industry a good start in world competition. The woollen mills now working number 40, of which the majority (23) are in Victoria, the rest being distributed throughout New South Wales (9), Queensland (2), South Australia (2), and Tasmania (4). In addition, 7 mills are engaged in making hosiery, 11 in making woollen underclothing, and 25 in manufacturing blankets.

Many of the growing industries of Australia were brought into existence by the circumstances of the war period, when the Commonwealth was cut off from most sources of supply. One of the main activities of the Bureau has been to foster the progress of such industries, and to encourage the establishment of new industries by inducing British manufacturers to establish branch works in Australia. Its efforts in this respect have resulted in many well-known British firms setting up works in the Commonwealth.

The Institute of Science and Industry was formed for the purpose of carrying out, among other duties, scientific researches in connection with the promotion of the primary or secondary industries of the Commonwealth, and for the collection and dissemination of information on scientific and technical matters, and on industrial welfare and conditions. It has already issued a number of bulletins and pamphlets on investigations into various matters of interest to Australian industries.

5. INDUSTRIAL DEVELOPMENT.

The following notes on some of the more important Australian industries show the progress made, and indicate the growing local competition which imported goods have to meet.

5(a) Iron and Steel.—Owing to the extensive and widely distributed deposits of iron ore and coal, the manufacture of steel and steel products has been established in many districts for a considerable number of years, and the industry is a progressive one. The principal works are those of the Broken Hill Proprietary Company, which were started at Newcastle (New South Wales) in 1915. The output of the Company has increased progressively since its inception, except during a period when the works were closed down owing to labour troubles, and a number of subsidiary industries have been established and projected. Of these may be mentioned railway tyres and axles, galvanised iron and black sheets, galvanised wire and wire nails. The manufacture of iron and steel has had a noticeable effect on the importation of such material into the country, and the decrease in imports of these goods has been marked for many years.

5(b) Boots and Shoes: Leather Goods.—The manufacture of boots and shoes has been for many years an important industry in Australia, owing to easy access to the raw material; and there has been an attempt at the creation of an export trade to contiguous markets. Leather goods of good quality are also produced to an increasing extent.

5(c) Coachbuilding has been long established, and recently the building of motor car bodies has been most successfully introduced. These are equal in style and finish to the imported article.

5(d) Clothing.—The manufacture of clothing for men and women, including dressmaking and millinery, is now widely carried on.

5(e) Confectionery.—All ingredients for confectionery (except cocoa beans) are produced in abundance, and the prohibition of imports of this article during the latter part of the war period gave an impetus to local manufacture. New factories have been built and local manufacture is now capable of supplying local requirements. Eventually an export trade to adjacent markets may be undertaken.

5(f) Engineering: Electrical, Mechanical and Structural.—The manufacture of *electrical* machinery and appliances is at present in its infancy, but development on a large scale is contemplated. It remains to be seen to what extent Australia can produce in this highly specialised industry, which largely depends for success on mass production and the continued adoption of improvements. *In mechanical engineering* very high class work is turned out, and in one well-known works specialising in *agricultural machinery* the equipment for mass production is equal to any in the United Kingdom or United States. Engines for the Commonwealth Government steamers have been successfully built, and all locomotive requirements can be met in the country. Small machine tools are being successfully manufactured, and mining and smelting machinery is largely made locally. There are several well equipped structural engineering works, and steel work and bridge work of all kinds can be readily produced.

5(g) Glass Bottles.—With few exceptions, the glass bottles required in Australia are all manufactured locally, and much attention has been given to this industry. Plate and sheet glass are not yet produced.

5(h) Paints and Varnishes.—Australia is most favourably placed for the manufacture of paints, practically all the ingredients being produced in abundance locally. The production of white lead and mixed paints on a large scale has been carried on for some years by an important company, and this, together with other factories, will, it is anticipated, supply in due course practically the whole of Australian paint requirements. An export trade in paints may also ultimately be developed. As regards varnishes, with the exception of a few specialities Australia can now supply all her own requirements.

5(i) Rubber Goods and Rubber Tyres of excellent quality are produced.

5(j) Soap and Candles.—The manufacture of *soap and candles* is well established.

5(k) Musical Instruments, especially *pianos*, are being made with increasing success.

The effect of increasing manufacture in Australia on the manufacturing industries in the United Kingdom, and on the position of British trade with the Commonwealth, will be undoubtedly to alter the trend of imports from the United Kingdom. Many industries producing goods which have been supplied in great part from the United Kingdom in the past are now firmly established in Australia. There should, however, be a demand for the products of the highly specialised trades, as Australia cannot hope for many years to come to be in a position to compete in such high grade manufactures. From this point of view, it would appear that the effect on imports from the United

Kingdom should be a change in character, rather than a diminution in value. In some form or another a number of British manufacturers have arranged for whole or partial interests in factories in Australia. The tariff in force renders the importation of certain classes of goods practically impossible, and they have had to face the alternative of losing the bulk of this trade or of manufacturing in Australia.

6. EXTERNAL TRADE.

6(a) Commercial Policy.—As previously stated, Australia is definitely committed to a protectionist policy, and this has been the recognised policy for many years. In the early history of the Commonwealth, mild protection was a character of a number of Tariff Acts. Later Acts have increased the duty upon imports, and the Act of 1920 has been designed to protect the industries created during the war, to encourage new, and to extend existing industries. Several important and novel principles were contained in that Tariff, but two main principles are :—(1) The provision of an intermediate scale of duties—distinct from that applied to United Kingdom goods or those from other countries, the object being to provide an instrument for bargaining—to come into force in the event of reciprocal arrangements as regards Tariff Concessions with other countries; and (2) a deferred scale of duties to come into operation on the establishment of certain new industries in Australia.

The Industries Preservation Act, passed in 1921, commonly known as the " Anti-Dumping Act," has as its principal object the protection, through a special tariff, of the industries of the Commonwealth, especially against unfair competition from countries with a depreciated currency, and to retain for the United Kingdom against competition from countries with depreciated currencies the preference provided for in the Customs tariff. A very considerable amount of investigation is usually necessary, both in the Commonwealth and abroad, in this connection. The administration of this Industries Preservation Act is in the hands of the Tariff Board, constituted by legislation in 1921, which provides that the Board shall consist of three persons—the Chairman, who must be an administrative officer in the Department of Trade and Customs, and two business men representing importers' and Australian manufacturers' interests. A fourth member, representing primary producers' interests, has now been added. The functions of the Board are, in addition, to watch the operations of the tariff, to inquire into all requests for new duties, or for increase or reduction of existing duties, and to investigate any complaints in which it is alleged that manufacturers are taking undue advantage of the tariff protection. The Board makes its report to the Minister of Trade and Customs, who may, if he thinks fit, take any action according to law in respect of any of the matters dealt with in the Board's report. The operations of the Board

have aroused some criticism on the part of the commercial community, on the score that there is delay in obtaining decisions; that no body of men should be in a position to effect (subject only to securing the consent of the Minister for Trade and Customs) a variation of the duties applicable to a large number of items in the tariff list without reference to Parliament; and that there remains constant uncertainty as to the duties which may be levied under the anti-dumping legislation. But that such complaints should be made is inevitable; it is a complaint against the system and not against the personnel of the Board.

The Commonwealth Board of Trade, which was brought into existence during the war, has been reconstructed and is now an exceedingly important organisation in that, among other duties, it investigates and reports on all matters referred to it by the Federal Government affecting the trade, commerce and industry of the Commonwealth.. As part of the reconstruction it was decided that the Board should take over and control the activities of the former Bureau of Commerce and Industry, which is now known as the Commercial and Industrial Bureau of the Board of Trade. Reference has already been made to the efforts of this Bureau to foster the woollen manufacturing industry of Australia. It is an organisation which, though possessed of a much larger measure of control in the matter of fostering home industries, corresponds in some measure to the Department of Overseas Trade in this country. The question of official overseas trade organisations, together with the appointment of trade commissioners to overseas markets, has been receiving the attention of the Commonwealth Government during the last few years, and several trade commissioners have already been appointed, who report to the Commercial and Industrial Bureau.

The Prime Minister of Australia, in a speech made in the middle of 1924, outlined the future fiscal policy of his Ministry. This was stated to be protection for Australian primary and secondary interests and determination to secure markets for those producers. As far as the home market was concerned, this was to be done through the medium of the tariff, in continuance of the protectionist policy to which Australia has subscribed in the past, and better and cheaper transit facilities between the States. The Commonwealth Government was to open negotiations with the State Governments with a view to bringing this latter section of the programme into immediate operation. As regards overseas markets, it is proposed that a portion of the revenue derived from the tariff, which is designed to assist producers in securing the home market, shall be employed in rendering help to producers seeking their markets overseas. This assistance is to be rendered in finding and developing new markets; in ensuring produce being efficiently and economically marketed, well advertised and sold as Australian goods; and in granting subsidies, bounties on exports, improvement in refrigerating space and acceleration of transport services.

Since 1st April, 1925, new regulations with regard to the conditions under which preference has been accorded to United Kingdom goods have been in force. Except in the case of goods wholly produced or manufactured in the United Kingdom within the meaning of the regulations (which receive preference irrespective of the proportion of United Kingdom labour and/or material which has entered into their factory or works cost), goods of a class or kind commercially manufactured in Australia are now only entitled to preference if at least 75 per cent. (instead of 25 per cent. as heretofore) of their factory or works cost is represented by United Kingdom labour and materials.

6(b) Australian Legislation on Produce Export Control.—Legislation has recently been enacted by the Australian Government under which the export of certain Australian produce is controlled by a board or council. The following are the trades regarding which such action has been taken :—

Dried Fruits.—The export and marketing abroad of Australian sultanas, lexias and currants are to be controlled by a board (Dried Fruits Control Board), on which growers have a majority, and on which the Government and commercial interests are represented. The constitution of the board is as follows :—

One member appointed by the Commonwealth Government.

Three representatives elected by growers in the States of New South Wales, Victoria and South Australia, and one representative elected by the growers of the State of Western Australia.

Two members with commercial experience appointed by the Governor-General.

A London agency is to be constituted to advise as to current prices of dried fruits in England or elsewhere, and generally to act as the agent of the board. Penalties are imposed for export in contravention of any proclamation under the Act.

A Dried Fruits Export Fund is also constituted, into which are to be paid all monies received by the Collector of Customs under the Dried Fruits Export Charges Act, passed at the same time. This fund is to be applied for the future benefit of the industry.

Dairy Produce.—Similar legislation to the above has been passed in connection with the dairy produce industry. A Dairy Produce Control Board is set up constituted similarly to that for the dried fruits industry. This board is to consist of :—

One member as representative of the Commonwealth Government.

Two representatives of each of the States of Queensland, New South Wales and Victoria, and one representative of each of the States of Tasmania, South Australia and Western Australia, elected by the boards of directors of co-operative butter and cheese factories in each of those States.

Two representatives elected by the boards of directors of proprietary butter and cheese factories.

One member appointed by the Governor-General as the representative of persons engaged as sellers of dairy produce out of the Commonwealth, whether as agents or on their own account.

Penalties are also imposed for export of dairy produce in contravention of any proclamation under the Act.

A London agency is also to be established to advise as to current prices of dairy produce and other matters and to act as the agent of the board.

There is also a Dairy Produce Export Fund, into which monies obtained by the Collector of Customs under the Dairy Produce Export Charges Act are to be applied for the benefit of the industry.

Meat Industry.—The Meat Industry Encouragement Act has been passed establishing the Australian Meat Council. This council is constituted as follows :—

One representative of the Commonwealth.

One representative of each State the Parliament of which has passed legislation providing for the encouragement and improvement of the Meat Industry and for representation on the Council.

Sixteen representatives of the meat producers.

Seven representatives of the meat works established in Australia.

Among other things, this council is empowered to make recommendations to the Minister regarding the administration of any Act relating to the export and inter-State trade in meat and meat produce, including grading, standard of quality and general conditions; to determine and declare the rates on which assessments on owners of cattle and sheep may be made and levied under the authority of the State laws; and to advise the Minister on any matters calculated to encourage or improve the meat industry.

6(c) Exports.—The relative importance of Australia's main export commodities (domestic produce) may be seen by the following export statistics for the year 1922-23 :—

	£
Wool (greasy, scoured and tops)	57,136,000
Wheat	8,470,000
Meat, all kinds	7,665,000
Hides and skins	6,672,000
Butter	6,082,000
Flour, wheaten	4,522,000
Lead, pig and in matte	2,562,000
Gold	2,228,000

Out of exports totalling £114,751,309 the above accounted for over £95,000,000. The order of importance as indicated by the above table will probably be maintained for several years to come, with minor variations. It will be seen that wool represents almost one half of the total exports, a position which it has held more or less for many years.

The following table shows the percentage distribution during recent years of the total export trade of Australia (including re-exports and bullion and specie) to the United Kingdom, British Possessions and foreign countries :—

	United Kingdom.	British Possessions.	Foreign Countries.
	%	%	%
1913	44·3	12·0	43·7
1919-20	53·9	18·6	27·5
1920-21	51·1	19·6	29·3
1921-22	45·2	17·1	37·7
1922-23	44·1	13·3	42·6

It is stated that the tendency in recent years towards a reduction of the percentage of direct exports to the United Kingdom is not entirely due to relatively smaller purchases of Australian produce, but represents in some measure the effect of an increasing movement towards the direct shipment of wool, skins and hides to the consuming countries, especially Belgium, France and Germany, instead of distributing the trade through London. The reservation, too, of the first call on Australian primary products by the United Kingdom during the war period probably increased the proportion during the years which immediately followed. During the last two or three years, however, the percentage of exports from Australia to " foreign countries " has increased, and is now at about the same level as in 1913.

6(d) Imports: Competitive Situation.—The British export figures for the year 1924 show that Australia is the United Kingdom's second best market, and that the percentage of domestic exports taken by Australia (7·6 per cent.) is greater than the pre-war figure in 1913 (6·6 per cent.). The present share of the United Kingdom in a valuable market like the Australian will not, however, be retained without severe competition from the United States and other countries. Australia offers many advantages to the British trader, a generous British preferential tariff, a strong sentiment in favour of British goods, a strong, progressive banking system, and a market which must expand with a greater or less degree of rapidity depending on the success of the immigration schemes in operation or to be introduced.

Of the total imports for the year ended June, 1923, the share of the United Kingdom was 51·9 per cent. It is, however,

by a comparison of its share in the competitive imports, *i.e.*, imports excluding those which are of a kind not manufactured or produced in the United Kingdom, and in which this country is not interested as a competitor, that our present position in Australian trade should be considered. The values of competitive imports into Australia for 1922-23, arranged as percentages, were: United Kingdom, 60·4; U.S.A., 17·2; Japan, 3·3; all other countries, 19·1. These figures show a slight reduction in the share of the United Kingdom, as compared with the preceding year, and a corresponding increase in the share of the United States. The 1921-22 corresponding percentages were: United Kingdom, 64·1; U.S.A., 14·9; Japan, 4·1; all other countries, 16·9. In 1913 the proportions were: United Kingdom, 63·2; U.S.A., 11·8; Germany, 11·4; all other countries, including Japan, 13·6. The trade of the United Kingdom slumped to 46·6 per cent. in the war years 1918-19, but increased steadily to 64·1 per cent. in 1921-22, when it touched almost a record level. The year 1918-19 shows the highest level reached by the United States, when its trade reached a percentage of 29·4. Japan's share has been steadily decreasing since the end of the war period.

The Australian *per caput* importation of United Kingdom goods is relatively very high (the corresponding 1922-23 figure for the U.S.A. was only about £1).

	£	*s.*	*d.*
1913	8	12	0
1920-21	14	2	0
1921-22	9	10	0
1922-23	12	0	0

In specific trades, according to the statistics for 1922-23, United Kingdom superiority seems to be well established in textiles (76·9 per cent.) and apparel (55·7 per cent.). In the cotton textile trade, the United Kingdom is supreme, the trade is thoroughly well organised, and her position is apparently unassailable. Stationery and paper manufactures (71·9 per cent.), paints and colours (73·2 per cent.), earthenware, china and glass (59·5 per cent.) are other commodities in which this country is well established. The weakness of the United Kingdom's position appears to be in machinery, engineering and allied materials. In these cases competition has to be faced from local manufacturers, as well as severe competition from the United States, and possibly from Germany in the near future. United States competition also continues in the goods classified as metals, metal manufactures, and motor cars; and in steel plates, sheets and sections. Undoubtedly the United Kingdom manufacturer owes something of his continued success generally to the tariff preference accorded to him, and to the fact that exchange rates have for a long time been against the United States. Japanese competition is principally in silk goods.

German competition is at present small; the resumption of direct trading between Australia and Germany only took place in August, 1922, and the operation of the Industries Preservation Act may have its effect upon the import trade from that country. Before the war imports from Germany were considerable. Imports of German goods in 1913 were valued at £7,000,000. Textiles and machinery and other metal manufactures composed the bulk of the trade. In 1922-23 imports of German goods were valued at £573,000 only.*

Although the proportionate share of the United Kingdom in the Australian market was slightly reduced for the year 1922-23, she still retains a preponderating share of Australia's imports. There is, however, ample scope for increased activity on the part of British manufacturers and exporters, and their Australian representatives, if their existing share in the trade is to be retained.

7. IMMIGRATION.

Australia may be said to be developed merely along the southern fringe; vast territories await exploitation; and the first need is a considerable increase of population. A population of less than 6,000,000 inhabitants is inadequate to cope with the huge task that has to be undertaken.

It must be confessed that there are obstacles in the way of immigration on an extensive scale. There is a natural tendency on the part of Australian workmen to resist any considerable influx of industrial workers. Obviously, therefore, any large immigration scheme must aim at attracting agriculturists and pastoralists; it is because Western Australia offered specially favourable conditions to settlers on the land that the "group settlement" schemes proved so attractive; such opposition as existed in that State to group settlement schemes was aroused rather by the cost of the schemes than by the influx of population. Half Australia's total population lives in the five large cities of Australia, and the growth both of Sydney and of Melbourne has been remarkable. The tendency to-day throughout the world is for a movement from the land to the city; in Australia this tendency is marked, and the policy of protection which fosters secondary industries stimulates it. It is therefore all the more necessary to seek some means of rendering life on the land as attractive as life in the towns.

* In 1923–24 the value of German goods imported was £1,430,000, or about 1 per cent. of the total.

NEW ZEALAND.

	1901	1911	1921
*Population	772,719	1,008,468	1,218,913

* Excluding Maoris.

British Trade Returns. (Merchandise only.)	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
United Kingdom exports to New Zealand ...	6,315	10,838	20,696
United Kingdom re-exports to New Zealand	582	952	1,005
United Kingdom imports from New Zealand	12,767	20,338	42,966

New Zealand Trade Returns.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
Total imports	13,292	22,288	43,378
Imports from United Kingdom*	7,982	13,312	22,532
Percentage from United Kingdom ...	60·1%	59·7%	51·9%
Total exports	14,748	22,987	45,967
Exports to United Kingdom	11,876	18,130	37,325
Percentage to United Kingdom ...	80·5%	78·9%	81·2%

* Country of shipment in 1904 and 1913; country of origin in 1923. In 1914, the first year in which statistics were given according to country of origin, the United Kingdom share of the import trade was 51·5 per cent.

Currency.—The unit of currency is the £ sterling. Exchange with London generally fluctuates within one or two per cent. premium or discount of parity.

1. ECONOMIC DEVELOPMENT.

New Zealand has only been colonised for about 80 years, but the rate of progress has been surprising. The sound position of the country is reflected in the fact that the imports per head of the population are the highest in the world; they amounted in 1923 to about £33 per inhabitant.

The scope for future growth is very large. At the present time the population is a little over a million and a quarter only, while the area of New Zealand is only a little less than that of Great Britain and Ireland. The climate is very healthy, and the death rate about the lowest in the world.

1(a) Pastoral Industry.—*Sheep.*—By far the greater part of New Zealand's exports originates from the pastoral industry. There are about 23,776,000 sheep in the Dominion, with an average annual wool production of approximately 200,000,000 lbs. In 1905 the number of sheep was 19,130,000, and in 1914, 24,799,000. New Zealand already exports more frozen mutton

and lamb to the United Kingdom than any other country, the value of carcases exported during the year ending 31st March, 1924, being £8,615,619, or about 50 per cent. of the total supplies to the United Kingdom from abroad.

New Zealand is having to face increasing competition from Argentina in frozen mutton and lamb. In 1914, Argentina exported only 57,500 tons of mutton and lamb; since then her exports have increased year by year, until, in 1923, they amounted to 79,900 tons, as compared with 111,500 tons from New Zealand. The competition from South America must be expected to increase, since the price of cross-bred wool has advanced faster than the price of merino, so tending to encourage the growth of cross-bred (or meat-producing) flocks. South American wool is mainly cross-bred, and Argentina will naturally make an effort to increase her output of wool, since high prices are anticipated for some years, and the increase of her flocks will involve the placing of larger supplies of mutton and lamb on the market. Argentina has also an advantage in freight rates, owing to her proximity to the United Kingdom market.

Cattle.—Most of the chief breeds of cattle in Great Britain are represented in New Zealand by soundly-bred herds. The beef breeds have received a check of late years, owing to the advance which has taken place in the dairying industry. The breeding of dairy cattle has made great progress during recent years, and the establishment of pure-bred herds at three of the State experimental farms has helped to put dairy cattle breeding on an up-to-date basis. High priced stock has been imported in order that the foundation herds at the farms may be of the best quality.

Dairy Produce.—The Dairy Industry Act of 1908 provides for the appointment of Inspectors with powers to prohibit the use of unsuitable factories, etc., and the sale of unwholesome milk and other dairy produce. The Act also provides for the inspection, grading and shipping of exported dairy produce. Authority is given for State advances to dairy companies, on the security of their assets, for the purpose of acquiring land or of erecting buildings and machinery. Loans are repayable by half-yearly instalments within 15 years, and bear interest at 5 per cent. per annum. The Act also provides for the registration of co-operative dairy companies. There are at the present time 165 butter factories, 326 cheese factories and 44 combined butter and cheese factories in the Dominion.

The exports of butter and cheese rose in value from about £13¾ millions in 1922 to about £17½ millions in 1923. The latest figures show that the amount of butter received into grading store during the twelve months ending July, 1924, was 1,236,231 cwt., as compared with 1,357,008 cwt. during the same period of 1923; while the amount of cheese received for grading was 1,478,950 cwt. during the twelve months ending July, 1924, as compared with 1,224,412 cwt. in 1923.

New Zealand has taken full advantage of the smallness of the supply of Siberian butter to the United Kingdom during the past few years, but in due course, presumably, she will again have to face competition from that quarter. In point of price realised, New Zealand butter compares unfavourably with Danish butter. During the English summer and autumn months the price of both butters is approximately the same; but, whereas Denmark provides a steady supply of butter to the United Kingdom, New Zealand ships the bulk of her butter during November to February, with the result that the New Zealand butter price falls to as much as 30*s*. per cwt. below the price of Danish butter. This matter is receiving the attention of New Zealand producers.

1(b) Fruit Growing, etc.—From the export point of view, the New Zealand fruit-growing industry is still in its infancy. Markets for New Zealand fruit are being developed in the United Kingdom, where there is a good demand for the Dominion's apples. New Zealand is very suitable for fruit-growing, and the industry will doubtless increase. Regulations govern the grading, packing, and export of fruit.

Bee-keeping is another industry which is considered to have every prospect of success in the future. There are over 6,000 registered apiaries in the Dominion, and already New Zealand honey finds a sale in this country.

The export of eggs is receiving particular attention in the Dominion, and the demand in the United Kingdom is stated to exceed the supply.

1(c) Mining.—In no other country of equal size are signs of a greater number of economic minerals to be found; yet, with the exception of iron-ore, the known mineral reserves are small in comparison with those of many other countries. The coal reserves of the Dominion are considerable, and their duration will be extended by the increasing utilisation of the hydro-electric power resources of the country.

Coal, varying in grade from anthracite to lignite, occurs in many parts of New Zealand. In proportion to the present yearly consumption of somewhat under 2,300,000 tons (10 per cent. to 15 per cent. of which in normal times is imported), the supply may be considered large, but, in comparison with probable future needs, it is regarded as decidedly small.

Extensive deposits of *iron-ore* exist in New Zealand, and a company has been formed to exploit the deposits near Parapara and Onakaka, in the Nelson Province.

These deposits are estimated to contain 64,000,000 metric tons of ore, and it is thought that the time cannot be far distant when they will be profitably worked. Hydro-electric power will doubtless be used for smelting purposes in the future, and its adoption should assist the industry. At present New Zealand imports about 170,000 tons of iron and steel, of which 9,000

tons are pig-iron. Large deposits of titaniferous iron-sand occur along the coast of Taranaki, and various experiments have been made from time to time, with a view to discovering means whereby the deposits can be worked on a commercial basis.

The amount of *gold and silver bullion* produced in 1923 was 692,090 oz., valued at £737,170, as compared with 520,287 oz., valued at £574,988, in 1922.

1(d) Kauri Gum.—Kauri gum, the fossilised resin of the Kauri tree, is exported from New Zealand. 6,598 tons, valued at £596,222, were exported in 1923, as against 6,391 tons, valued at £563,270, in 1922.

1(e) Timber.—New Zealand's annual output of timber is about 300,000,000 superficial feet, and it has been estimated that there are still some 12,500,000 acres under forest, of which half is described as marketable. The country's soil and climate are particularly suitable for rapid growth of some species of imported trees, and afforestation in such trees is proceeding apace. It is the policy of the State Forest Service to see that future supplies of timber are assured.

1(f) Flax.—Large areas in various parts of New Zealand are covered with " Phormium Tenax," a species of hemp commonly known as " New Zealand Flax," and used for ropemaking, etc. In 1923, 10,612 tons of fibre, valued at £284,897, were exported, as compared with 9,727 tons, valued at £265,080, in 1922.

1(g) Water Power.—Great strides are being made in the utilisation of the Dominion's water power. The first State hydro-electric power station to be constructed was at Lake Coleridge, near Christchurch, in the South Island, designed for a capacity of 16,000 h.p. The load has grown rapidly, and it has been decided to proceed with further extensions, to consist of two units each of 10,000 h.p., with provision for a third unit to be added when necessary.

A large and comprehensive scheme is now being developed for the supply of electrical energy to the North Island, on the basis of a total of 160,000 h.p. for the island. Power is to be obtained from three sources, which will ultimately be linked up. The three stations are at Mangahao (24,000 h.p.) in the south, Waikaremoana (40,000 h.p.), and Arapuni (96,000 h.p.) in the north. The Mangahao station is now under construction, and the contract for Arapuni has recently been let.

Altogether, the Public Works Department are understood to be planning to spend over a million pounds per year on hydro-electric development and transmission during the next seven or eight years. The general policy of the Government is to supply power in bulk, leaving the reticulation and retail supply in the hands of local power boards.

There is little doubt that hydro-electric power will account for the most important development in New Zealand during

the next few years, and there is an almost certain prospect of large orders being placed for electrical machinery, plant and fittings in the near future.

1(h) Railways.—Most of the New Zealand railways are State owned. There are at present rather more than 3,000 miles of State railways open to traffic, and only 135 miles of private railways. The gauge of the State railways is 3 ft. 6 in., and a steel rail of 70 lb. weight per lineal yard is the standard for the permanent way. Nearly all the carriages and wagons required for use on the State railways have, since 1901, been manufactured in the railway workshops of the Dominion. Most of the locomotives also are now built in the Dominion, partly in the railway workshops, and partly by an engineering firm at Thames. Up to 1923, 200 new locomotives had been built by the Railway Department, of which 77 were tender engines and 123 tank engines.

In 1923 there were 639 locomotives, 1,498 passenger vehicles and 26,106 wagons and brake vans in use, as compared with 534 locomotives, 1363 passenger vehicles and 20,251 wagons and brake vans in 1914. The railways of New Zealand have been looked upon as adjuncts to the settlement of the country and the utilisation of its natural resources, rather than as an investment from which large profits should directly accrue, and a profit of about 3 per cent. to 5 per cent. is generally regarded as sufficient.

Many parts of the railways still require linking up, and it is the policy of the Minister for Public Works to concentrate on selected sections of the work and push them to completion.

The electrification of the Otira tunnel, linking the east and west coasts of the South Island, was recently completed by a British firm, which secured the contract in the face of keen foreign competition.

1(i) Roads.—There is a very urgent need of road construction and improvement in New Zealand. At present there are about 59,000 miles of road in the Dominion, of which 23,438 miles are metalled, and 17,117 miles unmetalled, the remainder being mere tracks. The Government is fully alive to the position, and a Main Highways Act has been passed, dealing with the construction and maintenance of arterial roads. The import duty on motor tyres has been earmarked for use in this connection. Considerable activity may be expected in the near future, and when it is considered that land in many of the New Zealand "back-blocks" already fetches prices as high as English farming land a few miles from industrial centres, the vital importance of opening up these districts by means of good roads becomes apparent. According to the 1923-24 Budget, a sum of £500,000 is to be made available for the construction of main highways.

2. INDUSTRIAL POLICY.

Up to the present time the prosperity of New Zealand has depended almost entirely upon its success as a pastoral country. Manufacturing industries are making some progress, and receive a certain measure of assistance under the tariff. The range of industries, however, is limited by the smallness of the population. It is estimated that about 140,000 persons, male and female, are engaged in agricultural and pastoral occupations, while about 87,500 are engaged in manufacture, of which 21,800 are employed in connection with the manufacture of "food, drink, and tobacco," 21,300 in the manufacture of "dress," 13,400 in "metals, implements, etc," 7,500 in "stationery, printing, etc.," 4,100 in "chemicals, etc.," 3,800 in "textile fabrics," and 3,500 in "furniture, etc." The remainder are divided up among a number of small industries.

Textiles.—There are about a dozen woollen mills in New Zealand, manufacturing tweeds, rugs, blankets, etc. Ready-made clothing and under garments are manufactured in the Dominion, and a duty of 40 per cent. *ad valorem* has been levied on imports of foreign apparel and ready-made clothing, and 25 per cent. on similar garments of British origin. Similar duties are levied on imported hosiery.

Boots and shoes.—The manufacture of footwear in New Zealand has grown mainly in the heavier types of artisans' boots. The Dominion's supplies of all other types are derived mainly from the United Kingdom.

Engineering, etc.—Locomotives and railway wagons are built in the Government workshops, and by a firm in Thames. Agricultural machinery, such as ploughs, harrows, etc., is also made by a few firms.

Canned foods.—A number of firms are occupied in the canning of meat, fish, fruit, etc.

Miscellaneous industries.—Local manufacture supplies the bulk of the furniture in the Dominion. Soap and candles are manufactured locally. Local industries of minor importance, not already mentioned, include paints and varnish, brushware, leather goods, matches, polishes, etc. The Australian Glass Manufacturing Co., have recently opened a branch near Auckland for the manufacture of bottles. There are a number of tanneries operating in the Dominion.

3. PUBLIC FINANCE.

3(a) General Financial Position.—The return of the revenue and expenditure of New Zealand for the financial year ending

the 31st March, 1924, reveals a balance of considerable dimensions on the right side. The following figures show the revenue and expenditure during the last two financial years :—

	1922-1923.	1923-1924.
Revenue	£27,579,443	£27,960,371
Expenditure ...	26,263,760	26,148,005
Surplus ...	£1,315,683	£1,812,366

Of the expenditure, a sum of nearly nine million pounds is devoted to interest and sinking fund on the public debt.

The latest import and export figures show an increased balance in favour of the Dominion. The figures for the financial year 1923-24 are as follows :—

Exports	£51,652,000
Imports	44,402,000
Export surplus ...	£7,250,000

As compared with the previous financial year, these figures indicate considerable buoyancy, imports having increased by about £7,500,000, and exports by about £6,000,000.

Over 80 per cent. of the value of New Zealand's exports is attributable to wool, meat and dairy produce; consequently the prosperity of the Dominion in the near future must depend largely on the prices obtained in the world's market for these products.

Generally speaking, it may be said that the aftermath of the depression which occurred in 1920-21 is at an end, and, although New Zealand is at present subjected to rather high taxation, there is no reason to anticipate that she will suffer any serious setback in the near future. The Dominion's finances appear to command the approval of the London money market, judging from the fact that a recent loan for £5,000,000, issued at £95 and carrying 4½ per cent. interest., was oversubscribed in London, as much as £19,000,000 being offered.

3(b) Public Debt.—The gross public debt of New Zealand, according to the 1923-24 Budget, was £221,616,000, less accrued sinking funds of £12,974,000. If allowance is made for a sum of £2,679,000 loaned to the State Advances Department, which increased the gross debt without increasing actual liabilities, the net debt is £1,111,000 less than at the end of the previous financial year, notwithstanding the fact that £4,600,000 was raised for works and other capital purposes.

In the estimates and proposals for the year 1924-25, the revenue, on present basis of taxation, is put at £28,857,000; but, with the proposed remissions in taxation, it will be reduced by £1,000,000. The expenditure is estimated at £27,505,000.

Loans falling due in 1924-25 amount to £11,891,000. Borrowing will be confined to productive works, and a policy of economy will be adhered to. The Minister of Finance anticipates that with proper management the Dominion will be able to maintain its prosperity and make progress on sound lines.

3(c) Taxation.—The amount of revenue from taxation during the year ended March, 1924, shows an increase of about £825,000 over that of the previous year. The rate of taxation per head of the population, which had declined from £17·14 in 1920-21 to £11·17 in 1922-23, rose during the past year to £12·6. The actual revenue from taxation during 1923-24 was £16,540,438, as compared with £22,184,414 in 1920-21, and £5,918,034 in 1913-14.

3(d) Local Indebtedness.—The statistical report on local government for the year 1922-23 shows that the gross indebtedness of local governing bodies on account of outstanding loans has increased in the 20 years, 1902-3 to 1922-23, from £8,217,196 to £36,059,382, exclusive of moneys borrowed from the Government, which represented a further gross indebtedness of £7,604,067 at the 31st March, 1923, made up as follows: Inscribed debt (*i.e.*, debentures under the Roads and Bridges Construction Act, 1882, converted, and amounts borrowed from the Treasury under the Government Loans to Local Bodies Act), £2,341,667; and loans from the New Zealand State Advances Office, £5,262,400. It will be seen that the total gross indebtedness of all local bodies at the 31st March, 1923, was £43,663,449. The net indebtedness (*i.e.*, allowing for sinking funds) was £38,160,046.

3(e) Banks.—There are six banks operating in New Zealand. At the end of the March quarter of 1924, deposits amounted to £51,693,550 and advances to £44,403,524. In the March quarter of 1914, deposits amounted to £26,701,520, and advances to £23,666,750.

3(f) Exchange and Credit Conditions.—In New Zealand, as in other parts of the Empire, exchange rates have been unstable. To some extent, though not entirely, the rates between the Dominion and London are governed by those ruling in Australia. While the excess of exports over imports continues, with resulting accumulation of New Zealand funds in London, rates must of course rule against New Zealand exporters and in favour of importers.

4. EXTERNAL TRADE.

The following figures indicate the growth of New Zealand's external trade during the past 30 years :—

——	Imports.	Exports.	Total Trade.
	£	£	£
1893	6,911,515	8,985,364	15,896,879
1903	12,788,675	15,010,378	27,799,053
1913	22,288,302	22,986,722	45,275,024
1920	61,595,828	46,441,946	108,037,774
1921	42,942,443	44,828,827	87,771,270
1922	35,012,561	42,726,249	77,738,810
1923	43,378,493	45,967,165	89,345,658

Consideration of the above table shows that the total trade in 1923 has been exceeded only once in the history of New Zealand, that is to say, in the year 1920, when abnormal conditions ruled. The stimulus given to imports in 1920 had its origin in the artificial prosperity which characterised the period. Considerable over-importation took place, while the high prices paid swelled the total value still further. An adverse balance of trade resulted, imports exceeding exports by over fifteen million pounds. In 1921, 1922 and 1923, exports exceeded imports in value, leaving considerable balances in favour of the Dominion. The figures for the past three years may be taken as indicating a return to practically normal conditions. It has been pointed out elsewhere in this Survey that the value of imports into New Zealand per head of the population is the highest in the world, and, provided a fair standard of prices for the Dominion's produce is maintained, New Zealand may be expected to retain her position as an important buyer of manufactured products.

New Zealand buys about half her imports from the United Kingdom, and although the share of the United Kingdom in the import trade of the Dominion declined somewhat immediately after the war, the pre-war position has now been recovered. Out of a total import trade valued at £21,856,096 in 1914, the United Kingdom supplied goods to the value of £11,257,720, or 51·5 per cent., while in 1923, out of a total of £43,378,493, goods to the value of £22,532,205 were imported from the United Kingdom, representing 51·9 per cent.

5. COMMERCIAL POLICY.

5(a) British Preference.—The New Zealand Government has adopted a very definite policy in favour of British goods, and generally speaking the sentiment in favour of British products is exceedingly strong in New Zealand. Most of the leading importers buy British goods in preference to foreign, other things being equal, and even where the British price is slightly higher than the foreign the British goods will often be purchased. In the case of Municipal and other public undertakings, the same principle of preference for British goods exists to a great extent.

5(b) Customs Tariff.—A practical expression of the desire of the New Zealand Government to assist British trade with the Dominion was given in the Customs Act passed in December, 1921. Preference to British imports was increased by the provision of preferential rates for various classes of goods which were not entitled to preference under the former tariff; moreover, in a large number of cases the amount of preference was augmented by widening the difference between the General (or Foreign) Tariff and Preferential (or British) Tariff. The commonest increases were 5 per cent. and 10 per cent. *ad val.* above the preference previously given, but there were a number of instances of increased preference on a higher scale.

Probably in no country in the world do British manufacturers find a more favourable market for their goods than in New Zealand. The New Zealand Government propose, however, to enforce, as from the 1st October, 1925, revised preference conditions. It is understood that they will be somewhat on the lines of the new Australian conditions, but that the qualifying percentage for preference will probably be 50 and not 75.

5(c) Trade with Ex-enemy Countries.—New Zealand was the last Dominion to return to unrestricted trade with ex-enemy countries, the embargo on the importation of goods from Germany, Austria and Hungary, being removed on the 1st September, 1923.

5(d) Depreciated Currency and Dumping Duties.—A feature of the 1921 Customs legislation was the provision for the imposition of an extra rate of duty on goods from countries with a depreciated rate of exchange. The imposition of such duties on goods from all countries was discontinued as from 9th April, 1925. Provision was made also for a special dumping duty, which may be imposed on goods imported at prices likely to affect adversely New Zealand or other British industries.

6. COMPETITIVE SITUATION.

Principal Countries of Origin.—Prior to 1914, the New Zealand import statistics by commodities were shown according to countries of shipment, and not countries of origin. The following table shows the total trade from the principal countries of origin, with the percentage share of each, for the years 1914 and 1923, for comparison :—

——	1914.		1923.	
	£	%	£	%
United Kingdom	11,257,720	51·5	22,532,205	51·9
Australia	2,682,218	12·3	3,653,420	8·4
Canada	455,468	2·1	2,950,984	6·8
United States	2,537,545	11·6	6,956,602	16·0
Germany	1,016,016	4·6	68,915	0·2
Other countries	3,907,129	17·9	7,216,367	16·7
Totals	21,856,096	100·0	43,378,493	100·0

Germany.—It has already been pointed out that the embargo on the importation of goods of German origin into New Zealand was not removed until the 1st September, 1923. Contrary to the expectations of some people, large importations of German goods did not follow the removal of the embargo.

United States of America.—Over half the imports from the United States come under the headings oils, etc., machinery, other metal manufactures, apparel, and textiles, foodstuffs of vegetable origin, and chemicals, drugs and druggist sundries. These and other goods will now be referred to under separate classes. The term " competitive " is used in connection with trade for which the United Kingdom either does compete or should be able to do so.

Spirits and Alcoholic Liquors.—Imports in 1923 amounted to £1,055,049. The bulk of the competitive trade is in the hands of United Kingdom exporters.

A poll is taken in New Zealand every three years to decide for or against prohibition. At the last poll in 1922 the result was as follows :—

National continuance...	282,669
State purchase and control	35,727
National prohibition	300,791
Informal votes...	7,882

showing a majority of 17,605 against prohibition.

Tobacco, etc.—Imports in 1923 were valued at £1,484,508, of which the United Kingdom's share was valued at £924,048, Australia £373,995, and the United States £174,423.

Vegetable Substances and Non-Manufactured Fibres.—Imports were valued at £645,215 in 1923, the United Kingdom holding the bulk of the competitive trade. The United States, Canada, Denmark and the Netherlands compete for the trade in " seeds " of various kinds.

Apparel.—The imports in 1923 under the heading " Apparel " amounted in value to £4,898,844, of which goods to the value of £3,707,347 came from the United Kingdom. The principal item imported under this heading is " ready-made clothing," of which about 80 per cent. came from the United Kingdom.

Hosiery is also important, but there is considerable American competition, particularly in women's hose. The United States has increased her share of the trade since 1914, and this is said to be due, not only to price, but to superior shaping and appearance. American stockings, moreover, are very well put up in attractive boxes with good showcards, etc.

Boots and shoes are included also under this heading. Large supplies have been imported during the last two years, mostly from the United Kingdom. At the end of the war, owing to difficulties in obtaining British footwear, and to the growth of the Australian industry, imports from the latter country increased

considerably. When, however, British supplies again became available, the New Zealand preference for British quality made itself felt, and the United Kingdom has now largely recovered the trade. Local industry is mainly confined to heavy types of men's wear.

Textiles.—Imports in 1923 amounted in value to £6,175,813. Over 80 per cent. of this is accounted for by imports from the United Kingdom. The principal section is " cotton piece goods." Most of the trade in this is from the United Kingdom, the principal competing countries being the United States and Japan.

Fibres, Manufactured.—The total value of imports under this heading in 1923 was £663,017, the United Kingdom holding the bulk of the competitive trade. " Cordage, iron and steel " is included under this heading, and is mainly supplied by the United Kingdom.

Oils, Fats and Waxes.—The 1923 imports were valued at £2,403,589, of which the greater part consisted of motor spirit, benzine and kerosene from the United States and Sumatra.

The most important competitive commodity is " lubricating oil, mineral," supplied principally by the United States. The local organisation of United States firms is far more extensive than that of British exporters, and consequently American competition is severe.

Paints and Varnish.—The imports in 1923 were valued at £400,071, the bulk coming from the United Kingdom. Competition, particularly in " paints mixed ready for use," is met with from the United States and from paint manufacturers in Australia. It is often said that American and Australian paints are sold in more attractive tins than British. This is undoubtedly of some importance to the average purchaser.

Stones and Minerals used Industrially.—The total imports in 1923 were valued at £570,899. The principal competitive item is " roofing slates," which are supplied mainly by the United Kingdom.

Metals, Unmanufactured or partly Manufactured, and Ores.—The total imports in 1923 were valued at £492,593, the United Kingdom's share amounting to £348,571. Competition was mainly met in the imports of pig iron from India.

Metals, Manufactured, other than Machinery.—The value of imports in 1923 was £4,984,861, of which goods to the value of £3,625,443 were imported from the United Kingdom. In many articles, such as bars, bolts, rods, angles, tees, tinned plates, etc., the United Kingdom has been able to increase her trade, as a result of the British preferential tariff. Competition from Australian industry must, of course, be faced in such things as girders, bars, and other sections.

Although the bulk of the trade in hardware, hollowware and ironmongery generally is in the hands of British manufacturers, the United States compete to some extent. American aluminium hollowware finds a fair sale in New Zealand.

American competition is also felt to a considerable extent in rails, telephones and accessories, and nails.

In the case of nails, complaints have been made that the British product is less suitable than the Canadian for use in box-making machinery: Canada competes largely also for the trade in plain and barbed wire, and staples, and Australia in bare copper wire.

Machinery.—Out of a total importation in 1923, valued at £3,007,509, the United Kingdom supplied machinery to the value of £1,794,017. The United States is the principal competing country; the most important types of machinery in which she competes being electrical, dredging, agricultural and printing machinery, as well as machine and hand tools. Helped by the preferential tariff, and the sentiment in favour of British goods, the United Kingdom has to some extent been able to compete successfully in electrical machinery.

The United States holds the bulk of the trade in typewriters. Operators have become so used to the manipulation of American machines that they are disinclined to adopt British makes with different keyboards.

Cream separators have been imported mainly from Sweden, but there appears no reason why United Kingdom manufacturers should not make an effort to supply the type of machinery required.

Leather and Manufactures thereof and substitutes.—In 1923 imports were valued at £597,739. The United Kingdom holds over 50 per cent. of the competitive trade. The principal competing countries are the United States, Australia and Canada.

Timber and Wood, etc., Manufactures.—Imports under the non-competitive heading of "timber" were valued in 1923 at £638,620. Wooden, cane and wicker manufactures were imported to the value of £209,010, of which goods to the value of £32,172 only came from the United Kingdom. Severe competition is met from the United States, Canada and Australia.

Earthenware, China, Glass, etc.—The imports in 1923 under this heading were valued at £848,869, the United Kingdom supplying the bulk of the goods to the value of £571,468. The growth of the Australian glass bottle industry has resulted in competition from that country. A factory, moreover, has recently been established in New Zealand, and this may result in further competition.

Belgium continues to compete in the trade for crown, sheet and common window glass.

Paper.—The total imports in 1923 were valued at £1,096,875, of which the United Kingdom's share was valued at £568,123, as compared with £343,441 from Canada. The most serious Canadian competition is in "printing paper." The success of Canadian newsprint in competition with the United Kingdom is partly due to cheaper freight rates from Canada.

Stationery.—The value of imports in this class in 1923 was £834,278. The United Kingdom supplied goods valued at £609,888. The United States and Australia compete in some articles, mainly under the heading "books, paper and music, printed, generally."

Jewellery, fancy goods, etc.—Imports in 1923 were valued at £802,741. The United States competes seriously in the trade in clocks, and Switzerland in watches.

It appears that Germany is likely to recover her trade in New Zealand "greenstone," which is imported in the rough from the Dominion and exported in the cut state. In pre-war days it was found that the cutting could be done more satisfactorily in Germany than in any other country, but it is hard to see why the work should not now be taken up in the United Kingdom.

The United Kingdom holds the bulk of the trade in sporting requisites. The trade in tobacco pipes in 1923 was mainly divided between the United Kingdom and France.

Scientific instruments.—The 1923 imports of optical, surgical and other scientific instruments were valued at £393,195, of which the United Kingdom supplied goods to the value of £106,234, as compared with £203,797 from the United States. The principal heading in this class is "cinematograph films," of which the bulk are imported from the United States. Efforts are being made to popularise British films, and there is little doubt that the demand exists for British films of the right type. American and Canadian competition in cameras and photographic goods is largely due to price and extensive advertising.

Drugs, chemicals and druggists' wares.—Goods to the value of £1,126,785 were imported in 1923 in this class, the United Kingdom supplying over half the value. The United States and Australia compete largely in the trade for druggists' sundries, toilet preparations, etc., goods from these countries often being comparatively cheap and well advertised.

The bulk of the dyes was imported from the United Kingdom in 1923, but it is thought that serious competition must be expected from Germany in the immediate future.

Manures.—Goods in this class were imported to the value of £347,330 in 1923. Belgium had a large share, mainly under the heading "basic slag and Thomas phosphate."

Miscellaneous.—The total of miscellaneous imports in 1923 was £5,037,266.

The principal item in this class is under the heading " automobiles (passenger and commercial), including chassis." The numbers of motor vehicles imported from the principal countries of origin were as follows :—Canada, 8,360; U.S.A., 4,752; United Kingdom, 704; Italy, 136; France, 36. The impression that the United Kingdom does not produce cars as suitable for the Dominion as those made in the United States and Canada has gained so strong a hold in New Zealand, that extensive propaganda is required if the United Kingdom is to gain a bigger share of the trade.

The United States competes with the United Kingdom for the trade in pianos and, in this respect, now occupies the position held by Germany prior to the war.

Sweden competes largely for the trade in matches, while Australia has developed a considerable trade since the war in " asbestos sheets, slates and tiles."

Conclusion.—The present state of the export trade of the United Kingdom to New Zealand must be regarded generally as satisfactory. The pre-war position in most trades has now been regained, and it is improbable that any further great increase in Great Britain's share will occur in the immediate future. At the same time, however, though a small market compared with other Dominions, the importance of New Zealand to the British exporter should not be overlooked. The purchasing power per head of the population is very high, and patriotic sentiment in favour of British goods is remarkably strong. The progress of the country has already been extraordinary, and, as the population increases, the importance of the market to the United Kingdom manufacturer will increase also.

Except in a very few instances, secondary industries have not been established. Where successful competition is met with from overseas the reason is usually one of price. Freight rates are also frequently responsible to some extent, the U.S.A., Canada and Australia having an advantage over the United Kingdom in this respect. If, in spite of the British price being competitive, foreign manufacturers still obtain a large proportion of the trade in a particular article, the reason will often be found to be the unsuitability of the British article to local needs. Where this is so, it will probably be advisable for British manufacturers to send out a representative to study local conditions and requirements. On the whole, American firms have, perhaps, been more active in this respect than British.

BRITISH WEST INDIES, ETC.

British Trade Returns. Merchandise only.	U.K. Exports (£1,000's.) 1923.	Re-exports (£1,000's.) 1923.	Imports (£1,000's.) 1923.
British West Indies	3,689	330	5,858
Bahamas	948	306	28
Bermuda	661	121	2
British Honduras	184	43	126
British Guiana	1,245	80	1,159

Trade Returns of British West Indies, etc.

	Population 1921.	Overseas Trade.						
			Imports.			Exports.		
		Year.	Total.	From U.K.	Percentage from U.K.	Total.	To U.K.	Percentage to U.K.
	(1,000's.)		(£1,000's.)		%	(£1,000's.)		%
Jamaica	858	1923	5,556	1,524	27·4	4,288	1,241	28·9
Trinidad and Tobago	366	1923	4,319	1,271	29·4	4,786	2,201	46·0
Windward Islands ...	162	1923	673	236	35·1	592	278	46·9
Leeward Islands ...	122	1923	766	220	28·7	898	468	52·1
Barbados	156	1923	2,522	827	32·8	2,190	435	19·9
Bahamas	53	1923	2,120	758	35·8	1,834	39	2·1
Bermuda	20	1923	1,882	708	37·6	494	5	1·0
			($1,000's.)			($1,000's.)		
British Honduras ...	45	1923	4,037	920	22·8	3,197	329	10·3
British Guiana ...	298	1923	12,811	6,656	52·0	18,037	8,125	45·0

Currency.—Conditions differ in the various colonies, legal tender and the money of account being the £ and/or the dollar.

1. GENERAL.

The table given above shows that from the point of view of British trade the territory offers very limited possibilities. The total population is little more than two millions, and the annual imports are less than £10 per head. The islands of Trinidad and Jamaica are at present the most important commercially, but there are greater undeveloped possibilities in the mainland colonies, British Guiana and British Honduras.

2. FINANCE.

The budgets of the Colonial Governments have fluctuated violently during the war and post-war periods; but, although commercial and agricultural conditions in most areas are very

depressed, revenue and expenditure show an increasing tendency towards equalisation. This is unfortunately only being achieved by the postponement of public works, although comparatively large sums of money have been borrowed for necessary water supply, sewage and road schemes. Customs duties are the principal source of revenue, which varies in different colonies from £2 to £4 10*s*. per head of the population per annum.

Direct taxation was introduced for the first time during the war, and with only two exceptions income taxation is now general in the British West Indies. The public debts have naturally increased considerably since 1914, but they remain very small, and in only two colonies do they exceed two years' revenue. Although the British West Indies may not offer great scope for capital, British investors need nevertheless not fear reversals of policy, discriminating legislation or excessive taxation. There are few openings for new capital in the Island Colonies, but the hinterlands of British Guiana and British Honduras yet await attention.

Since the war legislation has been passed in several colonies with the object of enabling the Colonial Governments to limit the growth of foreign monopolies. Restrictions have, for example, been placed on the establishment of branches of foreign banks. This legislation is not, however, intended to discourage the entry of foreign capital in cases where there is no likelihood of the establishment of a monopoly. American interests had previously obtained control, amounting in many cases to a monopoly, of certain West Indian products. Outstanding examples are bananas in Jamaica, mahogany in British Honduras, bauxite in British Guiana, and asphalte and manjak in Trinidad. Canadian capital is represented in banking and insurance and in a number of public utilities.

One British bank has branches throughout the British West Indies, British insurance companies carry practically all the fire risks, a few public utilities are owned in this country, and the sum invested in the sugar and oil industries is no doubt considerable; but, considering that the territory is under the British flag, the investments of this country are not large.

3. ECONOMIC DEVELOPMENT.

3(a) Agriculture.—It is on the cultivation of the sugar cane that the prosperity of the British West Indies depends, although a variety of other crops have been introduced from time to time, especially when sugar was not doing well. In good years before the war the West Indian Colonies were able to export nearly 250,000 tons of sugar per annum, and the figure remains about the same to-day.

Production in British Guiana tends to decline, but in Jamaica there has been a remarkable re-awakening of interest in the sugar industry.

High prices during the war years gave factories the opportunity of improving their plants; but, owing chiefly to the disposition of the sugar lands, the establishment of "Centrals" as large as those in Cuba is impossible, and the British West Indian Colonies must apparently always be at some disadvantage on account of overhead expenses in competition with other sugar-producing areas.

Cocoa cultivation is as important as cane farming in Trinidad, and it is the principal industry in Grenada. Cocoa is also produced in Jamaica, St. Lucia and Dominica. Owing to the fact that plantings made before and during the war have come into bearing, the output has increased considerably; but the world price of cocoa has been so affected by the abnormal growth of the industry in West Africa that prices are not remunerative to the average West Indian planter, and there are signs that many cocoa estates will go out of cultivation.

Coconuts are a comparatively new cultivation in the British West Indies, and the industry is not yet a large one. Before the war the exports of coconuts and copra, expressed in terms of coconuts, were about 50,000,000. They have now increased to 100,000,000, and this industry is one of the most promising at present.

American interests have made the banana the most important economic plant in Jamaica, which island, in a good year, is the largest producer in the world. The output of bananas in Jamaica in 1923 was the largest recorded. The investments of the United Fruit Company in Jamaica were estimated in 1917 at $3,360,000, and the sum must be considerably more at the present time. In addition to their holdings in land and live stock, they run some of the most important hotels; and Jamaica's contact with the outside world is largely dependent on the Fruit Company's fleet of passenger and cargo steamers. Jamaica is, however, occasionally visited by hurricanes, and the banana plantations are devastated when such visitations take place. Moreover, the dreaded Panama disease has appeared in the Colony, and it cannot be ignored that numerous derelict areas on the American mainland were once thriving banana estates before the disease appeared.

Efforts are at present being made to establish banana estates in other West Indian colonies; and there have also been considerably increased plantings of oranges, mangoes, pineapples, etc., in the hope that an export trade to the United Kingdom and Canada may be developed in the course of a few years.

With the decline in sugar cultivation in some of the small Leeward and Windward Islands, the planters undertook the Sea Island cotton industry very successfully, aided by the advice and financial support of the British Cotton Growing Association. This long-staple cotton is only required for the luxury trade, and in recent years there has not been a demand large enough to justify the existing output. The area under cotton has therefore

been considerably reduced. Sea Island cotton is of more importance to a few small islands than to the general prosperity of the British West Indies, and there are no prospects of a large extension of the industry. The same may be said of limes, pimento, annatto, rice and a number of other agricultural products.

The forest products which are chiefly of importance in British Guiana and British Honduras are dealt with below, in a special section on these two mainland possessions.

3(b) Mining.—The only mineral found apart from those in British Guiana, petroleum, is worked on a fairly large scale in Trinidad, where the oil industry is one of the three most important in the Colony. The export of thirteen million gallons of oil in 1913 was a record for pre-war years; the average of the five post-war years has been 54 million gallons, and in 1923 the exports attained the record figure of 85,135,000 gallons. As the oil industry employs a large amount of labour, and as oil drilling involves the importation of considerable quantities of machinery and accessories, the future of the Trinidad oil industry is of very great importance to the Colony and to the export trade of this country. Trinidad's output nevertheless bears a very small ratio to the world's production, and there is therefore no certainty at times of low prices that operations may not be suspended for long periods.

From the foregoing it will be understood that the scope for striking economic development in the British West Indies is not great, and from this point of view any considerable expansion in the market for British goods cannot be expected.

3(c) Position in British Guiana.—The position is, however, somewhat different in the mainland colonies of British Guiana and British Honduras.

The Hon. E. F. L. Wood, M.P., who visited the British West Indies at the end of the year 1921 as Under-Secretary of State for the Colonies, reported very favourably on the potentialities of British Guiana. The following is an extract from his report :—

> " British Guiana is a vast virgin forest country, with resources in land, timber, minerals and water-power lying idle and unharnessed. It is part of the great fertile belt of tropical South America awaiting development. Although as large as the whole of Great Britain, it has a population less than that of Hertfordshire, and a cultivated area about one-fifth the size of Kent.
>
> " The present cultivated area consists entirely of a strip of coast-land varying in depth; but not usually, except along the fringes of the rivers, extending more than five or six miles inland. . . . . The principal crops are sugar; rice, which in certain areas has supplanted sugar, due both to the fact that it is a crop naturally suited to the East Indians, who form so large an element in the population, and also to the swampy nature of the land; and the coconut, which is being planted in increasing numbers. A little

coffee and limes also are grown. So much for the coastal strip on which the present population and wealth of the Colony are concentrated.

"Behind this fringe of land lie dense forests and bush, broken by great rivers and by isolated cattle trails. At varying distances from the coast-land the land begins to undulate, and finally breaks into considerable ranges of hills in many directions. . . . .

"There are several industries in the interior. In the forest grows the greenheart tree, peculiar to British Guiana, which possesses the special commercial value of being able to resist the teredo or sea worm, and is consequently much used for wharves and jetties. A considerable quantity of balata is collected from the forest and exported yearly. Gold and diamonds are also found in the interior, and recently there has been a considerable rush to the diamond fields, the production having gone up to 103,000 carats in 1921, about 10 times that of 1913.

"Seventy miles up the Demerara River the Demerara Bauxite Company have spent a million of capital in erecting plant for mining, drying, and loading bauxite, and there is no doubt that bauxite is present in considerable quantities in other parts of the Colony. As the interior is largely unsurveyed, it is impossible to speak with certainty as to the quantities of these materials that may exist. There is no doubt, however, that the potentialities of the hinterland are great."

3(d) British Honduras.—British Honduras also is largely virgin forest country, with resources in land, timber and water-power lying idle or unharnessed; but if there are any minerals of economic importance they are yet undiscovered, and the reference to timber must be qualified by the statement that great areas of mahogany forests have been worked unscientifically for two centuries or more. Moreover, the natives are practically a nomad class who burn fresh land every season for their crops, and then move on.

British Honduras is slightly larger than Wales with a population of only 45,000. The coast-lands, like those of British Guiana, are low and swampy, and the northern part of the Colony is also flat. There are few means of communication and transport other than the numerous rivers. Owing in part to the absence of a population possessing either the skill or taste for agriculture, this industry, despite the suitability of the soil for most kinds of tropical produce, is practically non-existent, and the Colony has hardly left its original state as a woodcutter's settlement.

The two principal exports are chicle (a gum which is the basis of chewing gum) and timber, chiefly mahogany, but including rosewood and cedar. British Honduras chicle is liable to strong competition from a neighbouring Mexican province, and is also threatened by the use of substitutes; while the exports of

mahogany tend to decline owing to the increasing inaccessibility of suitable trees. The forestry expert who visited the Colony in 1921 saw a prosperous future for British Honduras if a forestry policy were adopted which involved the conservation of existing trees, re-afforestation and the exploitation of other woods. A pine tree that grows gregariously in one large area should be extremely valuable when American resources approach exhaustion, an event which is looked for in the comparatively near future. Arrangements have recently been made for the establishment of a Forestry Department of the local Government.

3(e) Transport.—Transportation in the smaller West Indian Islands is effected by coastal sailing vessels, and by roads, which are adequate, but no more than adequate, for the purpose.

In Trinidad, Jamaica, Barbados and British Guiana there are Government-owned railways, which, however, only serve limited areas. The introduction of motor transport has proved the inadequacy of most of the roads to withstand heavy traffic, and the cost of their upkeep is an increasing expense to most of the Colonies.

4. TRADE DEVELOPMENT.

The following extract from the Trade Commissioner's annual report on economic and financial conditions in the British West Indies summarises the position of the Colonies at the outbreak of war :—

> " Just prior to the outbreak of war the finances of the West Indies were in a very precarious position, owing to the low level of prices of all agricultural commodities. Conditions had not been so bad since 1897, the year when a Royal Commission visited the West Indies to investigate the serious position into which these Colonies had fallen, due to the competition of bounty-fed beet sugar. Since the time of the Commission the price of cane sugar had risen slightly, until the year 1913, and factory methods had been improved. Also planters had turned their attention to other classes of tropical produce, and the West Indies were less dependent than they had been on sugar. But cocoa fell from 72*s*. per cwt. in 1913 to 58*s*. in 1914, sugar fell from 17*s*. to 12*s*. 3*d*., and the demand for, and prices of, other commodities declined in a similar way. Properties were being mortgaged, the stores were accumulating unsaleable stocks, and the banks were anticipating the carrying over of loans to the following year. Thus the position at the outbreak of war was a very serious one.
>
> " The advent of the war changed the financial aspect in the West Indies. The price of all produce rose almost immediately; at the end of the first year of war cocoa stood at 82*s*., and before the cessation of hostilities at 90*s*.; sugar rose to 28*s*. in 1915, to 43*s*. in 1916, and at the end of the war it was fetching 60*s*. per cwt. The prosperity of the

producers was naturally soon shared by importers and retailers. Mortgages in many cases were liquidated, and bank loans against crops were met promptly on the marketing of the results. Plantations changed hands at record prices."

Unfortunately a period of severe depression followed the cessation of hostilities, and West Indian importers who bought heavy stocks at peak prices have been faced with the difficulty of disposing of them when the purchasing power of the people is very low. Imports are therefore somewhat below the normal, and credit conditions are by no means healthy at present.

The United Kingdom and the United States are now, as before the war, the most important sources from which the British West Indies draw their requirements. The following figures show the trend of the import trade :—

	Percentage of Imports.			
	1909.	1913.	1918.	1923.
Jamaica—				
from United Kingdom ...	41	38	16	27
„ United States	47	47	67	42
Trinidad and Tobago—				
from United Kingdom ...	37	32	15	29
„ United States	30	29	35	25
Barbados—				
from United Kingdom ...	43	38	20	33
„ United States	32	28	35	20
Leeward Islands—				
from United Kingdom ...	38	38	17	29
„ United States	39	31	39	30
British Guiana—				
from United Kingdom ...	*49	56	26	52
„ United States	*28	23	45	16

* Year ended 31st March, 1910.

These figures demonstrate that this country has not recovered her pre-war position, in spite of two factors which have operated against American exporters, namely, the introduction by the Colonies of a preferential tariff on goods of Empire origin and the high rate of American exchange. The preference amounts to 50 per cent. of the general duty in some colonies, and is not less than 25 per cent. in any. Taking advantage of this preference, Canada has established a strong position with regard to flour and other foodstuffs at the expense of the United States, and is now a competitor with the United Kingdom for the trade in paints, rope, paper and a few other manufactured goods. In 1913 the imports from Canada into the five colonies in the above table amounted to under £930,000, or about 10 per cent. of the total. In 1923 the value of imports from Canada was over £5,000,000, or about 20 per cent. of the total imports.

Although this country has not fully recovered lost ground, it is impossible to indicate any important trade in which our position is seriously worse than before the war. American competition is keener; the needs of the market were learnt during the war, when connections were made which will not be completely broken, although buyers may have returned to their original sources of supply for the bulk of their requirements. The geographical position of the West Indies is also an important consideration, especially at times when many importers are buying "little and often," and therefore require speedy deliveries. Moreover, the West Indian market is for many lines a low grade one, for which the jobbers in New York can cater more satisfactorily than any similar medium, if such exists, in the United Kingdom. One other point of some importance is that continental goods are to-day purchased less through London than they were before 1914. These "merchanted" goods appear in the official statistics as imports from the United Kingdom.

A statistical analysis of the import trade of the individual colonies in the British West Indies tends to show that this country in particular, and the Empire in general, have benefited by the preferential tariffs; and, certainly in those colonies where the British preference granted is greater, the recovery of British trade to its pre-war percentage has been most marked. This preference was given in the first place to Canada, as the result of a trade agreement between the British West Indies and that Dominion.

5. NOTE ON BERMUDA.

Bermuda is an isolated group of small islands in the North Atlantic, having a total area of only 19 square miles and a population of 20,000. The colony has enjoyed a degree of self-government since 1620. Expenditure has increased very considerably since 1914, but the finances of the colony are in a satisfactory condition and the public debt is less than six months' revenue. One hundred miles of good roads form the only means of transport. Motor vehicles are not allowed in the colony.

A subsidised steamship service brings Bermuda to within 48 hours of New York, and the colony is a popular holiday resort for thousands of Americans. These and the cultivation of vegetables for the American market are the bases of Bermuda's prosperity, and, as a natural consequence, the import trade is very largely American also. In this respect the war did not affect conditions, and there is little reason to hope that a much greater percentage of Bermuda's trade will ever be obtained by the United Kingdom. Imports, which before the war were valued at about half a million pounds sterling, have more than doubled that figure in recent years. The annual value of exports has risen from about £100,000 to about £225,000, the balance of trade being made up largely by the tourist trade and also by the expenditure on the naval and military establishments maintained by the Imperial Government.

GROUP 10.—FAR EAST.

CHINA.

Population.—In 1923 the Chinese Maritime Customs estimated the total at 444,968,000, including 19,290,000 for Manchuria.

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to China	13,145	19,199	25,279
U.K. re-exports to China ...	320	366	298
U.K. imports from China ...	3,360	5,347	13,077

Chinese Trade Returns. General Trade (Merchandise).	1904. (1,000 taels.)	1913. (1,000 taels.)	1923. (1,000 taels).
Total imports	357,445	586,290	948,634
Imports from United Kingdom...	57,221	96,911	120,397
Imports from Hong Kong ...	141,085	171,636	248,083
Percentage from United Kingdom	16·0%	16·5%	12·7%
Total exports	252,871	419,433	778,148
Exports to United Kingdom ...	15,528	16,657	44,297
Exports to Hong Kong	89,416	125,256	180,779
Percentage to United Kingdom	6·1%	4·0%	5·7%

The figures for Hong Kong are given, as a large amount of trade passes through that port to and from the United Kingdom, Europe, America, Japan, etc. No pre-war figures of the distribution of the trade of Hong Kong are available. In 1923, the trade figures for Hong Kong were :—

	£		£	
Total Imports ...	61,954,000	From U.K.	6,967,000	= 11·3%
Total Exports ...	61,372,000	To U.K.	798,000	= 1·3%

Currency.—The currency is on a silver basis. Various units are in use in different parts of the country, some known as taels and some as dollars. The statistics of foreign trade are given in Haikwan taels, of which the value has been as follows :—

Average value of the Haikwan tael (sight exchange) on London.

	s.	d.
1904	2	$10\frac{2}{5}$
1913	3	$0\frac{1}{4}$
1923	3	$5\frac{3}{4}$

1. THE GENERAL OUTLOOK.

In China the direct effects of the European war were inconsiderable. As regards foreign commerce, such loss and inconvenience as were occasioned by the closing of some channels of trade were amply compensated for by a greatly increased business with Japan and America, and the world demand for foodstuffs and raw materials furnished a ready market at high prices for almost every description of Chinese produce. There was, however, one important indirect effect. There can be little question that the gradual awakening of the Chinese people to a realisation of their own backwardness was greatly hastened by the war, and the growing force of public opinion should ultimately be to the advantage of the country. But this force is not strong enough to make itself felt as yet; and China is still passing through a period of transition following the revolution of 1911, which resulted in the establishment of the Chinese Republic.

During the last seven years there has been increasing disunion and loss of credit.

From the trade point of view, the most ominous effect of the limited authority enjoyed by the Central Government at Peking is the growing disregard shown by provincial and military officials all over the country for the treaty rights, under which the whole system of foreign trade with China has been gradually built up.

2. FINANCIAL.

2(a) General Financial Position.—The Chinese Government has not succeeded in meeting its outstanding unsecured foreign obligations, or such of its internal debts as have not been secured on the surplus of the Chinese Maritime Customs revenue. The Central Government is nominally entitled to the revenues derived from the maritime customs, the salt gabelle, the wine and tobacco taxes and the stamp taxes. In practice, however, the Central Government derives no income from the maritime customs, since the surplus revenues from this source, after providing for the interest on certain foreign loans and debts, are hypothecated to the service of the Internal Consolidated Debt. It is estimated that the Central Government should receive some 15,000,000 dollars from the wine and tobacco taxes, but the bulk of the money does not reach its coffers. In actual practice, the Central Government only receives a portion of the wine and tobacco taxes levied in the group of northern provinces under its immediate control, and probably the same is true of the stamp and salt taxes.

Much has been said with regard to the vast potentialities of China as a trading and industrial country, and there is, of course, good reason for believing that a nation estimated at over 400 millions, who possess the commercial instinct in a marked degree,

offers an almost unlimited field for the development of commercial relations. But the first requisites for any general expansion of commerce are the assurance of security for the merchant and his goods, and freedom from irregular internal taxation of trade. The industrial and commercial development of centres where there is security shows that those whose interests are most closely bound up with the trade of the country have no lack of confidence in the future of China.

2(b) Silver—the Chinese Medium of Exchange.—Although there is no uniform currency in China, the country is actually on a silver basis, and all domestic commercial transactions are conducted in terms of silver. The result is that China's demand for silver exercises a considerable influence upon the world price for silver, causing it to fluctuate, sometimes violently, in sympathy with the Chinese demand for that metal. This fluctuation introduces an element of uncertainty into foreign business transactions. To some extent this can be overcome by a forward exchange operation; but many Chinese merchants take the risk of the prices of silver moving against them, whence arises one of the dangers in dealing direct with native firms. In general, a rising silver market tends to stimulate forward import business, whereas a falling silver price, while it tends to increase " spot " business, retards future commitments.

2(c) Financial Burdens and Capital Resources.—The figures of the budgets published since the establishment of the Republic in 1911 are only of value as showing what the revenue and expenditure of the Central Government might be expected to be, if the country were united and more or less normal conditions restored. A recent investigation of China's finances conducted by a commission under the direction of Dr. Yen, formerly Minister for Foreign Affairs, gives the revenue actually available for administration as only 7 million dollars per annum, whilst the sums required for administrative and military purposes amount to a total of 128 million dollars. Under present conditions it is not possible to give any accurate estimate of the national debt of China, but it may be taken to be somewhere in the neighbourhood of £200,000,000, an insignificant sum when compared with China's potential wealth. Though as yet China is an agricultural rather than a manufacturing country, there is every indication that she is destined to become one of the leading industrial nations of the world. Almost every form of raw material known to commerce is produced in China; and, if fully exploited, her mineral resources would furnish all the raw materials required for the full development of her engineering, shipbuilding and similar industries. Labour is plentiful and cheap, the pressure of a superabundant population keeping the general standard of living very low in comparison with conditions in Europe, America, and also Japan.

2(d) Credit Conditions.—The credit of the Chinese Government is lower than formerly, and there has also been observable during recent years a marked falling off from the high standard of honesty for which the Chinese merchant used to enjoy a well-merited reputation. Forward business tends to become more and more hazardous for the British merchant in China. An example of this regrettable tendency occurred last year (1923) in Tientsin, when a sudden rise in the market value of Chinese raw cotton led to the wholesale repudiation of the contracts previously entered into by local Chinese brokers with British and other foreign firms, who found themselves faced with very heavy losses. Similar cases, on a smaller scale, are constantly occurring at other trading centres, and amongst a certain class of Chinese merchant the view appears to be steadily growing that a contract is only sacred when it happens to be profitable to himself.

3. ECONOMIC PROGRESS.

3(a) Mining.—Mining has been carried on in China since very ancient times; and, although native methods of locating and extracting the ores have been crude, the exploitation of the more precious metals has been in progress for many hundreds of years, and long before the advent of the foreign prospector a good deal had been done to develop the more accessible mineral areas. The opening up of the country by railways and roads will bring further mining districts within reach, and will doubtless add greatly to production, but on the whole it is justifiable to believe that China's future depends on her industrial and agricultural, rather than on her mineral, resources. Modern methods of mining are practically confined to coal and iron, which are the chief mineral products. The coal reserves are nearly estimated at 1,000,000 million tons, or more than five times that of Great Britain. The Geological Survey of China estimates the iron reserve to be 1,000 million tons, or one-quarter that of America, four-fifths that of England, and one-third that of France or Germany before the War. Over 50 per cent. of the world's resources in antimony are accredited to China. During the war this mineral was in heavy demand, and China profited greatly. In the production of tin, China ranks next to the Malay States and Bolivia. Amongst other minerals found in considerable quantities, but not yet produced on an important scale, are manganese, tungsten, silver, gold, quicksilver, orpiment, asbestos, lead, zinc, nickel, mica and molybdenum. The means of communication must be vastly improved before there can be any progress in the mining of most of these minerals. The prevailing condition of mining industries in China in recent years is characterised by the drop in prices, the closing of foreign markets on account of the lack of demand and the consequent decrease in output. In addition to these difficulties and the lack of transport facilities, the internal political troubles make mining impossible in many

districts which otherwise would be quite important for their mineral production. These unfavourable circumstances, especially for metal mining, are hardly compensated by the revival of export of lead and zinc ores to Europe and the slight increase in the tin output. There is, however, a distinct progress in coal mining, and many collieries which had a hard struggle at the beginning are now prosperous. Except in the case of British companies working under agreements concluded many years ago, the present conditions governing foreign participation in the exploitation of China's mineral resources do not offer much attraction to British or other foreign capital, and until these conditions are considerably modified the progress of modern mining methods is bound to be retarded.

3(b) Agricultural and Pastoral Industry.—The wide range of climate, the rich soil and the simple wants of the people make China one of the few countries in the world that can, under normal conditions and with a good elementary distributing system, be self-supporting. Some of the most prominent Chinese products are silk, tea, cotton, beans and by-products, eggs and products, rice, wheat, tobacco and various fruits. China has long been noted for her silk, most of which is exported to America. Ancient methods of sericulture are slowly but gradually being replaced by scientific treatment, bettering production and enabling China to take a still more important world position in this trade than in the past.

Manchuria is the centre of the soya bean industry. Bean oil, which is extracted from the soya bean, is largely used throughout the Far East in cooking, while beans and bean-cake are used as fertilisers and cattle food. The rise of these products, now occupying second place among China's exports, has taken place within a few years.

China ranks third in the cotton-producing countries of the world, being preceded only by America and India. Cotton production is rapidly increasing, but is still capable of vast development. Eggs and egg products are of increasing importance.

Cattle raising is conducted on a large scale in Mongolia, whilst pigs are to be found everywhere in China.

A large proportion of the population must remain agricultural if the prime needs of the people are to be met. The demands upon the country for improved methods in agriculture, irrigation, afforestation, coping with plant and animal diseases, transportation and rural credits are indeed pressing, and with their solution the whole of Chinese society will be raised to a higher plane.

3(c) Water Power.—There is as yet no hydro-electrical enterprise in China, although the country possesses wonderful potentialities.

3(d) Railways.—It is estimated that China requires 50,000 miles of railways to handle its imperative transportation requirements. At present it possesses more than 7,000 miles. The

following table, compiled from the " Statistics of Chinese Government Railways, 1921," illustrates how this compares with other countries :

——	*China.	United States.	India.	Japan.
Square miles of territory for each mile of railway.	276	12	40	16
Population for each mile of railway.	54,000	3,800	8,600	8,000

* Excluding Mongolia, Chinese Turkestan and Tibet.

Practically all Chinese railways have been constructed with foreign (non-Chinese) capital. With a few exceptions, notably the South Manchuria Railway (Japanese), the Yunnan Railway (French) and the Chinese Eastern Railway (Russo-Chinese), all the railways are under the nominal control of the Chinese Government, but the degree in which this control is exercised varies according to the loan conditions under which the construction was financed.

With the exception of the Lunghai Railway, on which construction is proceding, and an extension to the Peking-Suiywan Railway, which was completed last year, practically no progress is to be recorded on railway construction in China during the last 10 years. Trunk lines such as the Hankow-Canton Railway, commenced 18 years ago, are still unfinished. Almost all existing lines under solely Chinese control have steadily deteriorated in recent years, owing to lack of proper management and the neglect of essential repairs to permanent way and rolling stock. Traffic has been constantly interrupted, more particularly in the North, by civil war. Railways which under normal conditions have shown handsome profits are now being run at a loss owing to inefficient management, and the Ministry of Communications is finding it more and more difficult to meet the service of railway loans.

3(e) Roads.—Although China at one period in her history must have possessed a wonderful system of main roads, they have gradually disappeared, or become mere cart or mule tracks, owing to centuries of neglect, and until quite recent years it was hardly an exaggeration to say that there were no roads in China. The Chinese are at last beginning to realise the importance of improving this means of communication throughout the country; and, whilst many of the road-building schemes to which reference is constantly being made in the Chinese and foreign Press lead to no practical result, it is satisfactory to note that some progress has been made in several provinces during the last two or three years. This is largely due to the efforts of an association with the avowed object of promoting road construction, which up to the present has been carried on with most vigour in North China.

It is, however, regrettable that the Chinese have not yet realised the necessity of maintaining these roads, when constructed, in a satisfactory state of repair. Being mainly dirt roads, with no substantial foundation, these highways soon become almost impassable unless constant care is exercised in their maintenance.

3(f) Shipping.—(1) *Services from the United Kingdom.*—There are several very efficient British lines of steamers from the United Kingdom to Chinese ports. Sailings are maintained from London, Liverpool, Glasgow, Leith, Middlesbrough, Immingham, Newport and Swansea to Hong Kong, Shanghai, Tsingtau, Chefoo, Taku, and Dalny. The most frequent sailings are to Hong Kong and Shanghai. Through bills of lading can be obtained via Hong Kong to Foochow, Canton, Amoy, Keelung, and Swatow; via Yangtzse River to Chekiang, Kiukiang, Wuhu, Nanking, and Hankow; and via Shanghai to Dalny, Tientsin, Chemulpo, Chefoo, Tsingtau, Ningpo, Newchang, Chinwantao, and Wei-hai-wei. Recently there has been an increase in the number of steamers proceeding to Hankow (during summer season), Taku Bar, and Dairen, instead of effecting transhipment at Shanghai.

Vessels of 16,000 tons gross can now reach Shanghai, and it is understood that a further improvement is contemplated in the direction of dredging a deep-water channel through the bank known as the "Fairy Flats" in the Yangtzse estuary 25 miles S.E. of Woosung (where the construction of additional wharves is proposed).

(2) *Coastal and River Shipping.*—British interests are well represented in coastwise shipping by companies which work in close co-operation with the regular services from the United Kingdom to Hong Kong and Shanghai. Frequent and regular services are maintained to all Yangtzse and coast ports, and the steamers are well found in every respect.

From Hong Kong passenger steamers serve Canton, Swatow, Amoy, and Foochow, sailing daily to Canton and twice a week, or more often in some cases, to the other ports, while there is a weekly service to Tamsui and Keelung. From Singapore there are daily sailings (with certain exceptions) to Nanking, Wuhu, Kiukiang and Hankow. There are also sailings twice a week to Tientsin via Wei-hai-wei, Chefoo and other coast ports mentioned in (1).

There are 32 steamers employed on the Upper Yangtzse navigation to Ichang and Chungking, of which eight are under the British flag. The most recent type of vessel constructed for this trade carries 450 tons. Light draught steamers can reach Suifu, 1,610 miles from the sea; river steamers drawing up to 15 feet can reach Ichang, 1,000 miles from the sea; while ocean steamers can load up to 30 feet at Hankow during the high water season (April to November). During low water Hankow can only be reached by river steamers drawing 10 feet, and at this season lighterage has to be effected.

A very considerable volume of trade on the China coast is carried in Chinese steamers and junks, and a number of steamers have lately been acquired by Chinese.

Conditions in China preclude the possibility of the elaborate transport organisation obtaining in other countries and through ratings to interior points; but, as far as is possible, every facility is afforded for regular shipments to the principal coastal and river ports by first class British steamers.

(3) *Statistics.*—During 1923, tonnage entered and cleared at Chinese ports amounted to 131,305,000 registered tons. Of this total figure, 40 per cent. was under the British flag, the principal other flags being :—Japanese, 25 per cent.; Chinese, 25 per cent.; American, 4½ per cent.; French, 1½ per cent.

Of the total tonnage entered and cleared, steam vessels accounted for 127,279,000 registered tons and sailing vessels for 4,026,000 registered tons.

4. INDUSTRY.

4(a) Development of Domestic Manufacture.—One of the most interesting features in the economic situation in China to-day is the slow but steady progress in the growth of her industries. But this growth is seriously retarded, not only by the unsettled state of the country, but also by the failure to establish means of communication by railway, road, or river. Moreover, the cheapness and docility of Chinese labour can no longer be counted upon. There is, however, in China to-day a small band of officials and industrialists, men of great ability, mostly foreign-trained, who are doing all in their power to exploit the great, though too frequently exaggerated, natural resources of their country, and to put China in her proper place amongst the manufacturing nations of the world. The appeal to patriotism is one of the most effective means of approach to the Chinese investor—the phrase "love of country" is one commonly used in advertisements of a number of China's newest factories and their products—but this same intense national feeling tends to obstruct the full use of foreign experience and technical skill, which would so readily be placed at the disposal of the Chinese if they were willing to utilise it and give it proper scope. Opinions differ on the question of co-operation between foreign and Chinese capital. Outstanding successes, including the greatest of China's coal mining enterprises, and dismal failures, due partly to the personalities of the promoters and partly to a fundamental inability on the Chinese side to appreciate the value of greater experience and knowledge of business administration, can be cited to support either point of view. With the increase in the number of Chinese technically educated in foreign countries, and the growth side by side, in the larger ports, of foreign-controlled and Chinese-controlled enterprises, it is only to be expected that these prejudices will

slowly break down and give way to forms of co-operation sufficiently businesslike to attract the foreign and Chinese investor, and to prove a source of profit to both.

It must, however, be remembered that it was the industrial disorganisation, due to war conditions, in Europe and America which created in China the lack of certain manufactured articles normally in great demand, and which was responsible for the feverish haste with which a large number of industrial concerns were established locally to provide them. These concerns, hurriedly established during the latter years of the war and the first year or two after it, were run at a high and uneconomic rate of production, regardless of efficiency or cost, with the result that many of them are now in considerable financial straits. Whilst there are now very few industries entirely unrepresented in China, the principal ones are cotton spinning and weaving, flour milling, sugar, cigarettes, vegetable oils, ship-building, printing, match making, soap, silk filatures, lace and hair nets. With regard to sugar, the two largest refineries supplying the Chinese market (The China Sugar Refinery Company, Limited, and the Taikoo Sugar Refinery Company, Limited) are situated in Hong Kong, and the British companies operating them maintain efficient selling organisations throughout China. The raw sugar is supplied almost entirely by the Netherlands East Indies. At present there is no effective modern civil code or legal machinery to safeguard the interests of the Chinese investor. Most of the enterprises started by Chinese capital are consequently located in or near the treaty ports, under the protection of foreign extra-territorial law.

4(b) Estimate of Effect on British Trade.—Except in the textile, shipbuilding and cigarette-making industries, Great Britain is not likely for some years to come to meet with competition from Chinese industries. The standard of goods produced in China is far below the level of British products, for which the demand is more likely to increase, rather than decrease, with the industrialisation of China, which must bring with it an increased purchasing power for its people. In the case of the textile industry, Chinese mills chiefly confine themselves to spinning low counts; they have not yet acquired the manufacturing processes necessary for high count yarns, nor is the local cotton suited to them. The mills use their own yarn for making cloth, which consists chiefly of 10-12 lb. sheetings and 11-14 lb. drills : these are steadily driving out of the market foreign imports of similar cloths. Considerable quantities of low count Indian yarn are still imported, but this is used for weaving on handlooms, on which the bulk of the native cloth is still made. Japanese yarns compete with Chinese, and only higher count English yarns are now imported in China, where they are used in the manufacture of hosiery, etc.

As regards shipbuilding, there are five large shipbuilding companies at Shanghai and Hongkong, and it is generally agreed

that the work of these yards, four of which are British owned, is comparable in standards of quality with that done in Great Britain, and that, for vessels of moderate tonnage designed for the China trade, the local yards are quite able to compete with Great Britain.

Although the cigarette trade is still largely in the hands of a well-known British-American organisation, which has its own factories in China, this trade is now beginning to feel competition from Chinese-owned factories, some of which are well-organised and rapidly growing.

5. EXTERNAL TRADE DEVELOPMENT.

Exports from China cover a wide range of commodities, from native raw products to manufactured articles, particularly finer qualities of silks, laces, and such specialities as " mah jong " sets.

VALUE OF EXPORTS OF DOMESTIC PRODUCTS FROM CHINA.

	Million Taels.
1913	403·3
1919	630·8
1920	541·6
1921	601·3
1922	654·9
1923	752·9

Any marked increase in the capacity of China to absorb a larger quantity of British manufactured goods is dependent, not only upon internal peace in China, but also in a large degree upon the ability of the markets of Europe to purchase, in larger quantities than has been possible during the last few years, the various kinds of produce which such a vast country as China can supply. The continued unstable conditions in Europe, the fluctuations in exchange, the favourable position of the Chinese tael as compared with European currencies, have resulted in Chinese commodities being too high for European markets, and trade has suffered. The earthquake in Japan in 1923 has benefited the export trade in certain commodities, particularly raw cotton, but the appreciation of exports from that cause is insufficient to bring the total up to a satisfactory figure. The closing of Russia to trade is perhaps the principal reason for the unhappy condition of the tea trade. Civil war, unfavourable conditions on the Upper Yangtze, and uncertain conditions of traffic in the interior provinces have in no small measure hampered the export trade in recent years.

The salient event in the history of the export trade of China is the decline in tea. The exports of tea in 1820 were 75 per cent., in 1867 60 per cent., in 1899 16 per cent., and are now, partly owing to the great war, 3 per cent., of the total exports. Silk has been more successful in holding its own. In 1860 China

supplied half the world's raw silk, and for many years after that the trade was prosperous : the average value of silk exports in the 'seventies amounted to almost £10,000,000 annually. But the coming of disease soon after this, and the competition of Japan, where the government fostered the industry and combated disease, have prevented this valuable product from taking its right place in the trade. It is true, of course, that the trade has increased, but, in view of the much higher position reached by Japan from so much smaller beginnings, the Chinese trade is disappointing, and there can be no doubt that, with scientific methods, it could be doubled.

Sugar is the only other item of sufficient importance to have mention among the 1882 exports. Twenty years later, however, several other articles appear in the list, the most prominent being oilseeds and their products, oils and refuse cake. These include soya beans—sent to Japan with beancake—a little sesamum seed, and wood oil, the trade in which was of long standing. Another item is skins, furs and hides, the trade in which began with the great famine in 1877, when thousands of cattle were slaughtered for food and their hides exported. This trade expanded between 1890 and 1895, when goatskins began to come forward, the western markets being in increasing need of leather about this time, until by 1899 it reached a prominent place, from which it has not receded.

The introduction of variety in the list of Chinese exports dates from the early 'eighties, when the people of the interior were beginning to become familiar with western goods through the influence of the treaty river ports and of steamers with their rapid transit. Each successive war was followed by further openings of treaty ports, those in the south-westerly province of Yunnan by France in 1886, several after the Chinese-Japanese war in 1895, and the Manchurian cities after the Russo-Japanese struggle of 1905. The Upper Yangtze river in middle China, and the West river in the south, were opened in the 'nineties, and the latter years of that decade were a period of great activity in trade, the establishment of the Imperial Post Office in 1896 having an immediate effect in this direction.

Since 1919 China's exports have made no progress, when allowance is made for the change in the value of the tael : this is due to the general trade conditions all over the world, including, as stated above, China itself.

6. COMMERCIAL POLICY.

In order fully to appreciate the commercial situation in China to-day, it is necessary to review briefly the earlier history of British trade with that country. In the eighteenth century the foreign merchants in China were practically prisoners in Canton. The Chinese merchant to whom they were obliged to sell their goods did the whole work of distribution. The next phase was the

introduction of treaties, upon the existence of which British trading rights in China are now dependent. The treaties guarantee protection for the lives and property of merchants, who are allowed to travel and trade (but not reside) in the interior of China outside the radius of the treaty ports. Merchants may, however, employ Chinese, and lease boats and warehouses in the interior for the storage of their goods. The treaties guarantee the right to import goods on a customs duty of 5 per cent., and to transport them to the interior on payment of an inland tax of 2½ per cent., and generally to carry on business in a practical way. In the course of time an established custom grew up with regard to trade, recognised by foreigners and Chinese alike, and officially acknowledged by the Republic of China when the Treaty Powers recognised that Republic in 1913.

During the last few years, as a result of the independence movement amongst the provinces, the Military Governors have exercised a loose administration over a host of minor officials, civil and military, who receive little regular salary and who depend for their maintenance on such taxes as can be levied without exciting too much popular feeling.

It seems probable, however, that the standard of material comfort and prosperity in the interior is very much higher to-day than it was twenty years ago. The improved standard has resulted from trade.

While the Peking Government has from time to time sent telegrams and issued mandates implying the necessity for honouring the observance of treaty provisions, Young China has protested that the conditions of these obligations should be changed, and that China ought to secure more advantage out of them. It was this insistent demand for a change in the treaties that led to the discussion on China at the Washington Conference in 1921. The Washington Treaty provided for an increased revenue for the Chinese Government by means of a surtax on the existing import tariff, provided inland taxation was abolished.

Practically the whole of China's foreign trade has in the past been handled in China by foreign (non-Chinese) merchant firms, amongst whom there is a preponderance of those of British nationality; but in quite recent years there has been an increasing tendency on the part of Chinese merchants to enter into direct relations with manufacturers and exporters in foreign countries. The number of Chinese firms competent to carry on a direct trade in this manner is still extremely limited. Apart from the minor inconveniences attaching to direct trading, there is, from the point of view of the British manufacturer or exporter, the important drawback that claims arising out of business transactions with Chinese firms must be brought into Chinese courts, and it is extremely difficult for a manufacturer in England to obtain redress in this manner. Moreover, evidence has not been lacking to show that the high standard of commercial morality for which the Chinese have in the past been noted has

fallen during the last two years. Nevertheless, this tendency to direct trading is bound to increase, and in certain cases British manufacturers have decided that they must foster it in order to obtain a larger share of business than has been possible through the medium of a British merchant in China. However, whilst recognising the gradual change in trading methods, it is probable that United Kingdom firms will for some years to come still find it to their advantage, in most cases, to do business through reputable British merchants in China, rather than to establish direct relations with Chinese concerns.

7. COMPETITIVE SITUATION.

In the trades which have a special interest for British manufacturers, cotton piece-goods and machinery, competition tends to increase, from Japanese and Chinese mills on the one hand and from America and Germany on the other; but there is no evidence to show that our position in these goods is as yet seriously threatened, although it must be admitted that in electrical machinery and plant Germany is fast recovering her pre-war advantage, and, during 1922, took from us a fair proportion of the machine tool trade. Shipbuilding materials, such as steel plates, for the shipbuilding yards at Shanghai and Hongkong, are being supplied from Belgium, Germany, Great Britain and America, but mainly from the two former countries, owing to their comparative cheapness.

Statements have been made regarding the alleged superiority of the American textile plant supplied to Chinese cotton mills during the war, as compared with the British equipments; but after exhaustive enquiries no doubt appears to remain that the statements have no foundation in fact, the truth being that the Chinese prefer British machinery to any other, and are even willing to pay more for British plant, provided they can obtain satisfactory delivery.

During the latter half of 1923, the flour mill business was very active, and several orders were placed for new mills. In this branch of the machinery trade, American manufacturers have, up to the present, secured the bulk of the business.

But, taking British trade with China as a whole, it is satisfactory to observe that we have recovered a considerable part of that which was lost to Japan and America during the War. British firms are getting a fair share of the restricted business that is being done, in spite of steadily growing competition.

FRENCH INDO-CHINA.

Population	1911 14,589,209	1921 19,122,000

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to French Indo-China.	102	159	219
U.K. re-exports to French Indo-China.	29	3	2
U.K. imports from French Indo-China.	151	277	138

French Indo-Chinese Trade Returns. Special Trade.	1905. (1,000 francs.)	1913. (1,000 francs.)	1923. (1,000 francs.)
Total imports	* 254,560	234,762	1,093,527
Imports from United Kingdom...	* 3,535	4,087	13,170
Percentage from United Kingdom	1·4%	1·7%	1·2%
Total exports	122,009	285,459	1,154,814
Exports to United Kingdom ...	1,244	6,211	5,100
Percentage to United Kingdom	1·0%	2·2%	0·4%

* General Trade.

Currency.—Official statistics are given in French francs. For commercial purposes the piastre is used. Its value in 1924 averaged about 2s. 4d.

1. GENERAL.

Indo-China is composed of the colony of Cochin China and the protectorates of Cambodia, Laos, Annam and Tonkin. The principal port is Saigon, a town with 250,000 inhabitants.

Unfortunately, owing to the excessive tariff enforced, the colony is practically closed to British trade, except in those articles which cannot be manufactured in France and are yet essential for the content of the native population. The transit trade through Haiphong to Yunnan in China represents about 20 per cent., both of imports and of exports.

2. FINANCIAL.

Indo-China is deemed fully capable of raising sufficiently large local loans to meet her needs, and in 1922 the first of such loans, namely 6,000,000 dollars for railway construction, was raised. This loan was open for 20 days and was more than twice subscribed in that period. There is no Government note issue, but the Banque de l'Indo-Chine have an authorised note issue of 120,000,000 piastres, though it is limited to five times the metallic reserve.

3. TRADE AND INDUSTRY.

The total value of the foreign trade of Saigon during 1921, 1922, and 1923, was as follows :—

	Million Francs.	
	Imports.	Exports.
1921	567·4	1026·6
1922	561·2	840·0
1923	1,093·5	1154·8

Rice is the principal export, and in a good year the amount exported reaches over 1,400,000 tons. The rice exported goes largely to Hongkong, France, China, Netherlands East Indies and Germany. The only other important article of export is rubber, of which about 4,500 tons a year are exported; 75 per cent. of this goes to France.

Nearly 40 per cent. of the total import trade originates from France; British India and Hongkong have most of the remainder. These oriental countries, however, do not produce goods which are competitive with French products, and therefore the figures do not fully demonstrate the extent of French competition upon the market. The principal goods imported are piece-goods, to the value of 126·6 million francs. Of this trade France supplies about 81 per cent. She also supplies about 85 per cent. of the 12·7 million francs' worth of iron and steel goods which the colony imports a year. Great Britain, however, shares in this trade to the extent of 2 million francs a year. It is to be noticed that British firms have more than held their own against the Germans in supplying machinery for the rice milling industry, a position largely different from the position in Siam. British machinery has gained the reputation of being reliable and efficient and of the highest standard of workmanship. There are no other industries of any importance, except a certain amount of mining. The following figures show the production of minerals in French Indo-China in 1923 and 1922 :—

	1923 Metric Tons.	1922 Metric Tons.
1. *Coal.*		
Anthracite ...	1,001,433	920,467
Other kinds ...	55,488	69,346
Total ...	1,056,921	989,813

	1923. Metric Tons.	1922. Metric Tons.
2. *Zinc*	30,528	21,091
3. *Tin and Tungsten*	677	708
Tin ingots	301	205
4. *Phosphate of Lime*	9,847	7,600
5. *Iron Oxide for paint* ...	85	200
6. *Sapphires from Pailin* ...	4,888 carats.	4,719 carats

Efforts to start a factory for drying fish have proved a failure.

4. COMMERCIAL POLICY.

As stated above, the whole commercial position is dominated by the tariff. This is the same as that enforced in France. Goods imported from France and colonies are not dutiable.

5. SHIPPING.

There is no British line running direct to Saigon, and outward cargo from this country goes by transhipment to French vessels at a French port. The reason for this is that, although it is open to vessels of any nationality to enter the carrying trade between France and Indo-China, goods imported into French colonies after transhipment at a French port are entitled to the benefit of the minimum customs tariff. The Blue Funnel Line calls at Saigon monthly on the homeward run. The coastal service between Saigon and Haiphong is being improved.

Certain advantages are given to French vessels in the matter of charges, and it may be mentioned that, as from March, 1924, a rebate of 35 per cent. in pilotage dues has been given to vessels under the French flag.

During 1923, nearly 50 per cent. of the total tonnage of 3,197,000 registered tons entered and cleared at Saigon was under the French flag. British tonnage accounted for about 20 per cent. of the total, American for about 10 per cent., and Japanese for about 8 per cent.

JAPAN.

	1904	1911	1920
Population ...	47,216,000	51,435,400	55,963,053

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
Japan, including Formosa and leased territories in China.			
U.K. exports to Japan	4,889*	14,530	26,319
U.K. re-exports to Japan ...	154*	297	254
U.K. imports from Japan ...	2,442*	4,388	6,768

Japan Trade Returns. (General Trade.)† Merchandise only.	1904. (1,000 yen.)	1913. (1,000 yen.)	1923. (1,000 yen.)
Total imports	371,361	729,432	1,982,231
Imports from United Kingdom ...	74,993	122,737	237,136
Percentage from United Kingdom	20·2%	16·8%	12·0%
Total exports	319,261	632,460	1,447,751
Exports to United Kingdom ...	17,644	32,870	40,410
Percentage to United Kingdom ...	5·5%	5·2%	2·8%

* Excluding the leased territories in China acquired in 1905.

† Excluding trade between Japan and Formosa throughout, and between Japan and Korea in 1913 and 1923.

Currency.—The unit of currency is the yen. The par rate of exchange is 1 yen = 24·58*d*. The annual average rates of exchange during the past four years have been as follows :—

1921	30·017	1923	25·486
1922	25·957	1924	22·441

1. GENERAL.

During the last few years Japan has seen a series of short-lived non-partisan cabinets. The present cabinet, which came into power in June, 1924, includes the heads of the three strongest political parties in Japan, who have agreed to work together in the national interests. The Minister for Finance is expected to carry out a policy of retrenchment. The existing economic difficulties appear to be the result of the reaction from the war-time boom and the earthquake of September, 1923.

There is a feature of Japan's trade which should not be overlooked when considering the financial stability of that country. Raw silk and silk goods represent over 40 per cent. of her exports, and it can readily be imagined how serious the consequences would be if fashion decreed that silk should not be worn so much, or if some cheaper substitute were found, or a much greater advance were made in the production of artificial silk.

2. FINANCIAL.

2(a) General Financial Position.—Before the Japanese financial situation had time to recover from the effects of the reaction which followed the successful war period, there occurred, on September 1st, 1923, the great earthquake calamity. This has struck a most serious, but not a fatal, blow to the whole financial structure of Japan, from which she cannot expect to recover for several years. The catastrophe has entailed heavy drafts on the national treasury; in private business also large sums are required for restoration purposes. Estimates of the loss and damage to property must necessarily be imperfect; but conservative opinion calculates the direct material loss at between 2,500 and 5,000 million yen (say, 250 to 500 million sterling), excluding indirect losses caused by diminution or suspension of production, interference with communications, and the general dislocation of the machinery of trade and credit.

It has been the practice since Japan first adopted the gold standard to keep a considerable specie reserve in London and New York, as well as in Japan. The downward movement of specie since the commencement of 1923 has been as follows :—

——	Home. (Million yen.)	Abroad. (Million yen.)	Total. (Million yen.)
January, 1923...	1,213	607	1,820
December, 1923	1,208	445	1,653
March, 1924	1,201	403	1,604

The diminution in specie held abroad is a symptom of Japan's present economic condition. It has been progressive since 1921, when the amount held abroad was over 1,000 million yen, and it is a corollary of a series of adverse trade balances, as exhibited in the following table :—

	Excess of Imports over Exports. Million yen.
Annual average, 1909-1913	48
1914 to 1918 (war period) ...	Exports exceeded imports.
1919	75
1920	388
1921	361
1922	253
1923	539
1924 (first nine months)	632

A slight adverse balance has been characteristic of Japan's trade for many years past, and prior to the war it did not cause any particular anxiety, since it was clear, from the gradual improvement of her international credit, that her invisible exports were sufficient to make up the difference. During the war her position was considerably strengthened by an increment of wealth derived from international transactions. Whilst it is true that a large proportion of the increased imports in recent years has consisted of raw materials such as raw cotton, a good deal of which is re-exported in the form of textiles, and of fertilisers, which ultimately increase the productive capacity of the land, there is no doubt that a great proportion is also accounted for by a change and a growth in the requirements of the Japanese people, whose standard of living was considerably raised during the war and has remained much higher than formerly. The abnormal figure given for increased imports during the first nine months of 1924 may be explained by the large supplies of materials for reconstruction which arrived in Japan in the early part of the year. During more recent months the adverse balance has been smaller.

The new Japanese Finance Minister, like all his predecessors, has exhorted the people to be less extravagant in their daily life; but he has gone one step further than his predecessors, and pointed his moral by introducing a tariff measure providing for an import duty of 100 per cent. ad valorem upon luxuries. This levy came into force on July 31st, 1924. But it is not to be supposed that it will help to remedy defects in the present financial situation. The Japanese public will continue to spend money freely as long as they have it, and buy articles to which they have grown accustomed.

In order to pay for her increasing imports, Japan must either improve her export trade or find money abroad until such improvement takes place. There is no doubt as to the stagnant condition of the export trade during the last three or four years. Exports

have failed to keep pace with imports since the post-war slump of 1920, and recovery, which was slow to commence, has now been postponed. Prices are still high in Japan, and, despite some exceptions, industrial efficiency is, on the average, lower than in competing countries. The new Finance Minister stated in the Diet on July 1st that the Government has decided to raise no loans except in case of imperative necessity; and that in the present fiscal year it will raise no domestic loan, but will provide the amounts required—some 290 million yen in excess of ordinary revenue—by drawing upon reserves in the Treasury Deposit Accounts, by setting aside 105 million yen from the proceeds of the recent foreign loan, and by the sale of small denomination bonds through the post offices. But Japan cannot continue indefinitely to draw upon such sources, and must ultimately borrow at home or abroad.

During 1922 measures were taken by the Bank of Japan and the Yokohama Specie Bank (which is virtually the Government Exchange Bank) to restrict imports by withholding exchange facilities for imported goods which, in their opinion, were not essential either for direct consumption or for productive industries. This policy met with a certain amount of success; but such measures, though temporarily effective, did not radically alter the position; and when, after the earthquake, large sums of money had to be sent abroad for the purchase of reconstruction materials, the drain upon specie became heavier than before, with an accompanying reaction upon the exchange value of the yen.

At the close of 1923 the exchange position became acute. The Yokohama Specie Bank was quoting 100 yen for $48 in New York, whereas the open market rate was at one point as low as $45. But the open market alone could not supply all the foreign exchange that was needed; consequently importers were in great difficulties, since they could get no exchange at all, or had to submit to restrictions, or had to buy dollars or sterling or rupees in a fluctuating market, bolstered up by official support which might at any time be withdrawn. So long as the Specie Bank continued to " peg " exchange by means of official funds, the Government were in reality paying the difference between the artificial and the market rate—an operation which could not be continued indefinitely. However, with imports continuing, exchange funds had to be provided. Negotiations were commenced towards the end of 1923 for the flotation of a foreign loan, resulting in the issue of Japanese Government Bonds for £25,000,000 at 6 per cent., issued at £87 10*s.* in London, and for $150,000,000 at 6½ per cent., issued at $92.50, in New York. When these loans were concluded, it was generally supposed that the proceeds would be used by the Government as exchange funds. This did not prove to be the case. Various alternatives were resorted to by importers unable to obtain exchange (such as the extension of credits abroad against a guaranteed deposit of currency in a bank in Japan); but naturally such devices could

not fully replace the ordinary methods of exchange business, and the inevitable result was to give impetus to the decline of the yen. A further result will doubtless be to check the flow of imports; and meanwhile various countervailing tendencies are at work.

On the 21st November, 1924, the Bank of Japan carried over Yen 1,213,676,000 in note issue, with Yen 1,060,683,000 in gold reserve. The corresponding figures for 1923 were: note issue Yen 1,289,077,000, gold reserve Yen 1,060,852,000.

In respect of the protection of its paper money, Japan's currency compares favourably with that of most European countries.

2(b) Financial Burdens and Capital Resources.—The national debt of Japan has increased by over 60 per cent. since before the war, as is shown by the following figures :—

	Million yen.
1914 (31st July)	2,530
1922 (31st December)	3,722
1923 (31st December)	3,876
1924 (31st December)	4,209

The figure for 1924 is composed of :—

	Million yen.
Domestic debt	2,695
Foreign debt	1,514
	4,209

To set against the foreign debt, which is still below the pre-war figure of 1,529 million yen, there are foreign government loans, raised in Japan, outstanding in the following amounts :—

	Million yen.
French Government.	
Held by a Japanese Syndicate—	
Exchequer bonds	25
Treasury bills	20
	45
Chinese Government	
Various loans	446
Russian Government.	
Treasury bills held by the Japanese Government	240
	731

Neglecting the Russian loan, and after allowing for the considerable purchases of Japanese sterling and franc bonds which have been made in recent years by the Japanese Government and by private Japanese investors, the net foreign indebtedness may be placed at approximatelv 1,000 million yen (say, £100,000,000).

The nation enjoyed striking prosperity during the years of the war, and the national wealth of Japan increased enormously. According to the Japanese Census Board's report published in 1922, there was an increase of 54,034 million yen in national wealth between 1913 and 1919. The figures are as follows :—

	Million yen.
1905 (Bank of Japan)	22,590
1910 (Bank of Japan)	29,430
1913 (Census Board)	32,043
1917 (Bank of Japan)	45,696
1919 (Census Board)	86,077

During the same period the increase in wealth *per capita* is given as follows :—

	Yen.
1905	514
1910	580
1913	606
1917	815
1919	1,530

Some part of the increase is, of course, due to the change in values. In 1913 Japan's national obligations exceeded her credits by 1,859 million yen, but in 1919 credits exceeded obligations by 356 million yen.

The rapid progress of wealth is described in the following table :—

	Million yen.	
	1913.	1919.
Land	13,795	33,085
Mines	1,468	6,312
Seas, Lakes, Rivers and Harbours	2,767	4,596
Trees	1,760	4,533
Buildings	3,631	8,560
Furniture and Family Assets ...	1,566	4,423
Manufacturing Plants	399	1,101
Cattle and Fowls	154	502
Railways and Tramways ...	293	1,110
Cars of all kinds	47	181
Ships	471	1,181
Water Works	76	149
Bridges	94	233
Agricultural Produce	994	3,624
Forest Produce	40	87
Industrial Products	747	2,630
Mineral Products	85	386
Aquatic Products	19	43
Imported Goods	192	445
Coins and Bullion	746	2,359
Government Properties ...	1,116	1,548
Crown Properties	345	727

2(c) Credit conditions.—One very patent reason for high costs in Japan is the exaggerated standard of profit which prevails throughout industry and commerce in that country.

A perusal of any Japanese stock exchange list shows that the average investor is barely satisfied with 10 per cent., and dividends of 15 per cent. and 20 per cent. are almost the rule rather than the exception. The usual yield of short-term debentures is in the neighbourhood of 10 per cent., and first mortgages stand at about 12 per cent. It is obvious that, so long as such rates are earned by investors, consumers must pay heavily for what they require, and the general level of prices remains high.

A result of the stringency of the money market, the high rates of interest combined with the low value of the yen, has been to induce industrial undertakings to seek capital in England and America. This tendency was already apparent two or three years ago, but has become very marked since the beginning of 1924. Several foreign loans have already been raised by corporations or industrial undertakings, and others are being discussed. Numerous enquiries are being received concerning the operation of the Trade Facilities Act. Making every allowance for the conditions in Japan, there is certainly a profitable field for the investment of foreign capital in that country.

3. ECONOMIC DEVELOPMENT.

3(a) Mining.—Since 1875 there has been a rapid expansion of the mining industry of Japan. In addition to coal and copper, which are the only important mineral products, gold, silver, lead, antimony, manganese, graphite, tungsten, sulphur and petroleum are found. Very few iron mines exist, and practically all supplies are imported, chiefly from China, where Japan has financial control over iron mines. Japan is much concerned over the inadequacy of her petroleum supplies—she imports the bulk of her requirements from America. The abnormal expansion of the mining industry in Japan after her war with Russia suggests that development largely depends on the amount of capital that can be attracted; and an increase of output is almost certain to be associated with advance in metal manufacturing industries, as distinguished from the mining and smelting of ores. There was much mining activity during and immediately following the European war, but the trade slump of 1920 caused a cessation of demand for mining products, and since then the industry has been depressed. The mining labour situation has contributed to the depression. Wage rates are at least double those ruling before the war.

3(b) Agricultural and Pastoral.—Rice is the principal food of the people, but they prefer their own home-grown rice, and will not eat imported rice if they can avoid it. Although a high price for rice is of advantage to the farmers, who form the backbone of the country, it acts adversely on Japanese industries, as the higher rice goes the more costs of production increase. One of

the most difficult problems Japanese statesmen have been confronted with is how to increase the domestic rice crop in proportion to the increase in population.

On the whole the average productive power of tilled areas in Japan has continued to make perceptible improvement, owing to the wider spread of the knowledge of cultivation in backward districts. When the farm adjustment work, which the authorities have been encouraging since 1900, is completed, far more satisfactory results are likely to be obtained in this respect. This work consists in substituting a compact farm for the scattered fields into which even small holdings are often divided; in reducing unproductive areas, such as boundary ridges; and in improving drainage.

3(c) Water Power.—Probably no country in the world is converting potential water power into electrical energy at so great a rate as is Japan. It is in the utilisation of these great resources of national wealth that Japan is seeking the solution to the ever pressing problem of fuel and rising costs of labour, and is hoping to enable Japanese industries to compete successfully in the markets of the world. Of the many schemes in hand, that of the Daido Electric Power Company deserves mention. This company, which is a combination of 14 associated power companies and 13 power-consuming companies, has embarked upon the tremendous task of creating a super-power zone in the most intense manufacturing district of Japan. The plants will supply power over a gigantic network of transmission lines covering the middle western part of Japan, and deliver current as far as Osaka. Similar lines will be extended to Tokyo and, when completed, the entire transmission system of this concern alone will approximate to 1,100 miles in length, and will be located so as to be available for the electrification of the State railways.

In eastern Japan the water power is slowly being concentrated under the control of the Tokyo Electric Light Company, which has absorbed several smaller companies and has an interest in the Keihin Electric Company. In June, 1921, the Tokyo Electric Light Company possessed hydro-electric power plants which generated 74,800 kilowatts, and coal burning plants which generated 29,700 kilowatts.

3(d) Railways.—The total traffic mileage of the Japanese State Railways was 5,473 miles in 1914, whereas in 1924 it was 7,341 miles. Prior to the outbreak of the European war the Japanese Government had formed the so-called "30 years' scheme" for the extension and improvement of the existing system, but the great business prosperity during the war threw on the railways an enormously increased volume of business which rendered the "30 years' scheme" quite inadequate for post-war requirements. It was superseded in 1920 by the "10 years' scheme," by which 3,324 miles of new railways are being constructed while the existing system is also being improved. Notwithstanding the

Government's declared policy of strict financial retrenchment, there has been no check, on financial grounds, to the " 10 years' scheme," although delay must occur on account of the damage to railways and rolling stock by the earthquake, which is estimated at 75 million yen. Electric trains have been running between Tokyo and Yokohama since 1915, and the electrification of other lines is now being carried out.

There are over 2,000 miles of private railways open to traffic, whilst charters have been issued for 4,771 miles Light railways account for over 1,300 miles open to traffic, and for over 2,200 miles for which charters have been issued. Private railways in Japan are subsidised by the Government. The construction of private railways has been most rapid since 1911, and the quality of the equipment is improving remarkably.

3(e) Roads.—The defective road system of Japan is a handicap to her industrial development. The task of the road-builder in the mountainous parts of Japan (and it must be remembered that these cover some four-fifths of the entire country) is anything but an easy one; and the problem is complicated by the torrential rains which fall at different seasons of the year. It is not uncommon for roads, even in flat country, to be almost completely washed out of existence by no more than two days rain, and in the mountainous districts the danger is, of course, much greater. With such discouraging factors to contend with, the lack of enthusiasm about new road construction is not altogether surprising. The country, moreover, is well covered by railways; and these in most cases serve the requirements of the people so well as to render roads which run parallel to them unnecessary. The result is that as soon as a new line of railway is completed the road which formerly served that district falls into disuse, no repairs are made, and in a few years it becomes nearly impassable. There has been a good deal of talk about a " National Good Roads Movement " in Japan during the last few years, but it is likely to take the form of improving the streets in the principal cities rather than the communications between them.

3(f) Shipping.—(1) *Steamship Services from the United Kingdom.*—Frequent and efficient services are maintained from all the principal United Kingdom ports to Nagasaki, Moji, Kobe and Yokohama, with transhipment to coast ports, by the following British companies :—Blue Funnel Line (A. Holt & Co.); Peninsular & Oriental Steam Navigation Co.; Glen & Shire Lines; and Ben Line. The steamers of the Nippon Yusen Kaisha also maintain a regular service.

(2) *Japanese Mercantile Marine.*—The Japanese Merchant Fleet consists of 2,055 steamers and motor vessels of 3,842,707 gross registered tons (excluding vessels of under 100 tons). The coastwise trade is reserved for national vessels. The principal liner companies engaged in the foreign trade are the Nippon Yusen Kaisha, the Osaka Shosen Kaisha and the Toyo Kisen

Kaisha, which maintain trans-Pacific and Australian and Indian services as well as services to the United Kingdom and the Continent.

Considerable Government assistance is given to Japanese steamship companies. In 1923-4 the total subsidies granted, including mail subventions, amounted to Yen 6,825,787. The companies participating include the Nippon Yusen Kaisha, the Osaka Shosen Kaisha, the Nisshin Kisen Kaisha, and the Harada Kisen Kaisha. The subsidised services are between Yokohama and London, Yokohama and Seattle, Yokohama and Australia, Ichang and Chungking, Kobe and Hongkong, and Kobe and Tsingtao. The Nippon Yusen Kaisha subvention in return for the carriage of mails amounts to Yen 1,450,000 annually.

Japanese shipping has suffered, in common with that of other countries, from the continued world-wide trade depression; and the Japanese Shipowners' Association has recently made proposals for a subsidy to vessels trading overseas for more than one year, but it appears unlikely that this will be agreed to.

(3) *Harbour Works.*—Yokohama suffered considerably from the earthquake of 1923, but energetic measures have been taken to repair the damage; the facilities are now quite sufficient for the present traffic, and practically no congestion is being experienced. A plan for harbour improvements, to be completed in 1931, is in hand.

(4) *Statistics.*—Owing to the loss of records in the earthquake, only 1922 figures can be given. In that year steam shipping entered and cleared in the foreign trade amounted to 26,872 vessels of 71,300,000 tons, Japan's share being 21,025 vessels of 46,400,000 tons. British shipping accounted for 3,057 vessels of 13,709,000 tons. Sailing vessels are negligible.

4. INDUSTRY.

4(a) Industrial Policy.—Dependence on the Government in times of distress is one of the most strikingly distinctive features of Japanese trade and industry. At practically every turn Japanese manufacturers look to their Government for assistance and advice, and this assistance is nearly always given. Private industries are protected and encouraged in a number of ways, principally by the guaranteeing of profits and by fixing protective tariffs. The annual budget regularly includes items for the encouragement of small industries which are being put on their feet. The reasons for this reliance on the Government can perhaps best be understood by turning to the earlier history of industry in Japan. The Government started the first factories, imported the machinery, engaged experts abroad; and only handed these works over to private enterprise when the industry seemed to be properly established. As regards navigation, the first companies commenced business under government auspices, and even to-day the largest companies are still subsidised by the State. In industry, as in military matters, education, etc., Japan

studied the various systems in force in different countries, and adopted that which, with adaptations, seemed best suited to her requirements. Owing to the terms of the early treaties which Japan had been compelled to conclude with foreign nations, she had for many years to maintain a low tariff. As soon, however, as she recovered her fiscal autonomy, she proceeded to impose protective duties which would help her infant industries. Government ownership and monopolies in Japan are carried out to a far greater extent than in western countries. There are several reasons for this, the principal one being the matter of revenues and the protection and development of natural resources. All telegraph and telephone lines are owned and operated by the State, as also are the majority of the railways. Certain large steel plants are also State owned and controlled. There are Government monopolies in the sale of camphor, salt and tobacco. Owing to the economic depression since the European war, there is a very large amount of plant lying idle; and, of course, industrial capital suffered extensively from the destruction of factories in the earthquake, notwithstanding the fact that the principal industrial centre was outside the earthquake zone. The utilization of this locked-up capital is essential, and the tendency is for enterprises whose maintenance is hopeless to be given up, and for those capable of development to be amalgamated.

4(b) Development of Domestic Manufacture.—Japan's rise as an industrial power is without precedent in the annals of modern history. Its industrial growth, which has taken place within the past forty years, and particularly during the last decade, has been remarkable. The point has been reached, however, when further expansion is certain to be much more complicated than heretofore. Several factors have made this rapid industrial growth possible, chief of which was the former comparatively low cost of production in Japan. Other favourable factors have been its geographical position in relation to the Far Eastern markets, the willingness of its manufacturers to adopt the methods of the leading industrial nations of the world, and, during the past decade, the effects of the European war. Some of the advantages which aided industrial growth are, however, gradually losing their importance. On account of the comparatively higher efficiency of western labour and machinery, and the rising cost of living and higher wages in Japan, the costs of production in that country, which were formerly on a low, oriental level, now approximate in most cases to those general among the industrial nations of Europe. The geographical position is no longer the important factor that it has been in the past; and, finally, the Far Eastern markets that were abandoned temporarily to Japan during the European war are once more attracting the attention of other industrial countries. Foreign competition is being felt by Japan, not only in its near-by foreign markets, but in its domestic market as well. The present day problem of industry in Japan is to adapt itself to new price

levels by striving to reduce production costs. This may be done by increasing labour efficiency, improvements in industrial organisation and the promotion of scientific research.

4(c). Effect on British Trade.—Notwithstanding the very rapid industrialisation of Japan, that country is an important market for the products of Great Britain, and is one which will continue to grow. The value of United Kingdom products exported to Japan has steadily increased from £4·9 million in 1904 to £14·5 million in 1913, and to £26 million in 1923. It can be largely accounted for by the far-reaching effects of the change which is gradually taking place in the Japanese way of living—in clothing, diet, housing and amusements. Usually a new requirement is stimulated by importation in the first place; as the demand grows sometimes domestic manufacture commences and importation decreases, but then more machinery and more raw materials are required, so that, though the component parts of an important business may rise and fall, the aggregate increases. As to the methods by which British manufacturers can gain and keep a fair share of the import trade of Japan, as it thus varies and increases, there can be only one view. They must go to Japan for it and not write for it. They must be represented on the spot, and their representatives must have both technical and local knowledge. At the present stage of Japan's industrial development, technical advice is still needed and welcomed by Japanese purchasers.

5. EXTERNAL TRADE.

During the European war Japanese exports made an astonishing advance; business was opened up in a variety of new commodities, and new markets were explored. But sufficient regard was not paid to quality, and some rubbish was shipped which has damaged the reputation of Japanese goods. The weakness of Japan's export trade lies in the fact that it depends on two staple commodities alone—raw silk and cotton tissues. A disturbance in the market for either of these products can therefore seriously upset the balance of the whole foreign trade of the country. It is evident, therefore, that Japan's prosperity is to a great extent contingent on the American demand for raw silk; but the silk industry in America has grown to such vast dimensions, and is so entirely dependent on Japan as a source of supply, that nothing short of a world calamity is likely to disturb this trade, which has continued to grow year by year. The cotton tissue business with China stands on a very different footing. It is subject to boycotts and political disturbances, and it is also liable to suffer from the growing competition of China's domestic production. Japanese capitalists have realised this latter danger, and have for some time past been erecting cotton mills in China. As regards other export commodities of Japan, the trade has recently shown a conspicuous tendency to decline. Foreign markets which were opened by

painful enterprise are gradually dwindling; and productive industries, which had been slowly and laboriously built up, are now difficult to maintain. This is, of course, due in some measure to the recent earthquake, but it is clear that it depends also to a great extent upon defects in the organisation of commerce. It is essential to Japan that immediate steps be taken to improve her export trade, and the problem is one that has been referred to the recently formed Imperial Economic Council. The remedies so far suggested by that Commission in effect amount to a burden upon the general public for the benefit of exporters. It is unlikely that any administration can adopt all of the recommendations, and it is very doubtful whether administrative measures alone can radically improve the situation. The real hope of improvement lies in reducing production costs, and this depends largely on the development of general industrial efficiency in Japan—efficiency of labour, works organisation and management.

6. COMMERCIAL POLICY.

Restrictive Measures.—Japan's commercial successes have to a great extent been the result of opportunity, and not of any elaborately worked out plan. Although Japan occupies to-day a leading position amongst the trading and manufacturing nations of the world, her industrial and commercial expansion has followed as the result of her three wars, and each succeeding war has brought about a yet greater expansion than its predecessor. The industrial and commercial expansion which followed her military triumphs was not part of a carefully thought out plan, but was purely fortuitous. The war gave her certain opportunities of which her political and commercial leaders were not slow to take advantage. No statesman in Japan foresaw, or could have foreseen, the circumstances which led to the enormous increases which she made in her trade.

Up to about 30 years ago, Japan's foreign trade was almost entirely carried on from the old treaty ports by foreign (non-Japanese) merchants, who imported such goods as Japan required and exported her products. These foreigners, most of whom were British, by their knowledge of foreign markets, helped to develop and extend her trade, and Japan's commercial prosperity was in no small degree due to these pioneers. Later the question of "direct trade," as it was called, acquired great importance and Japanese commercial policy consisted principally in assisting the formation of a few Japanese firms who, with the indirect support of the Government, would be in a position to compete successfully with the foreign firms. Gradually, however, with the success which attended her efforts at home, came a desire to extend her operations abroad; and now the large Japanese firms have ramifications all over the world, and, in addition to fostering the trade of their own country, they develop trade between countries in which Japan is not directly interested.

In Japan there are a few very important and wealthy families who between them conduct, directly or indirectly, a large portion of the trade, industry, and banking institutions of the country.

The revision of the statutory tariff was being considered by a commission in 1923. The deliberations of this body were interrupted by the earthquake and have not yet been resumed. The main obstacle to permanent revision is the difficulty of deciding upon a definite tariff policy at a time when economic conditions are unstable both at home and abroad, but it is to be anticipated that some changes will be made in 1925. In certain quarters the opinion is held that, in order to reduce the adverse trade balance, it is advisable to restrict imports by means of high duties. Indeed, Japan, since July 31st, 1924, has placed a 100 per cent. import duty on a large number of articles classed as luxuries—this term including even such goods as boots and shoes—but, apart from this, there is no indication of the lines upon which the tariff will be framed, and it is unlikely that, except perhaps in a very limited number of cases, it will be prohibitive. In a quite recent instance—that of dyestuffs and other coal tar derivatives—the authorities declined to meet the wishes of Japanese manufacturers by imposing prohibitive rates of duty, and confined themselves to a system of import restriction by means of licences.

It must, however, be remembered that Japan has always adopted a protective policy; and there does not seem to be any likelihood of foreign competition gaining any extreme hold in Japan.

As is the case with many other countries, the coasting trade of Japan is confined to Japanese shipping.

7. COMPETITIVE SITUATION.

Japan is Great Britain's best market for woollen and worsted textiles, and very little competition is to be met with in these goods; but, in the case of woollen yarns, Germany is recovering the position which she held before the war.

The demand for Manchester goods in Japan has fallen off very considerably during the last 10 years, due, not to outside competition, but to the rapid progress that Japanese manufacturers have made in all kinds of cotton piece goods. There is, however, still a small business to be done in some of the better class goods, such as fancy velvets, fine quality shirtings, printed linings and cotton venetians, Japanese manufacturers not yet being able to give the required finish to these articles.

In the case of metals, although Great Britain secured by far the greater part of Japan's business in blacksheets in 1923, her share for the first four months of 1924 was less than that of America. To some extent, but not entirely, this was due to the inability of British manufacturers to accept orders placed urgently after the earthquake for delivery before April 1st, 1924, when the import duty, which had been temporarily suspended,

was re-imposed. The same explanation is no doubt applicable in some degree to tinplates, in the supply of which we were also supplanted by America.

There is always strong competition between Great Britain and America in regard to the supply of machinery, particularly electrical machinery, to Japan. The question of finance is always important and, at present, when Japanese industries are seeking cheap money abroad, the country which can give facilities to the Japanese buyer, either direct, or by arranging a loan for him, is in an advantageous position. Perhaps even more important is the question of adequate technical representation. The Americans have realised this, and there are now many American experts in Japan looking for business, and in most cases obtaining it. Japanese engineering has made rapid strides of late, especially in certain electrical machinery and in internal combustion engines; but there is still a long way to go, and the demand for imported machinery, though its character may change, will remain important in the aggregate.

The motor vehicle trade is almost entirely in American hands; but it is a hopeful sign that British light cars are now beginning to appear in small numbers on Japanese roads, and that orders for motor omnibuses for a municipal service have recently been placed in England, notwithstanding American competition.

Japan is an important market for fertilisers, particularly sulphate of ammonia and artificial fertilisers. Prior to the war nearly the whole of Japan's purchases of sulphate of ammonia came from Great Britain; but the trade was lost to America during the war, and the greater part of it still remains in American hands, although we made a considerable recovery in 1923. German synthetic sulphate of ammonia has now begun to arrive in Japan, and is meeting with considerable success

In heavy chemicals, the business in soda ash is now practically monopolised by Great Britain; whilst, in caustic soda, two-thirds is supplied by Great Britain and one-third by America. We have recently lost to America a part of the trade in cyanide of potash and soda, which formerly came entirely from Great Britain.

Germany is making serious efforts by cutting prices to secure the Japanese drug trade, but the quality of German drugs shipped to Japan is considered to have depreciated during the last 12 months. Eighty-five per cent. of the dyestuffs imported into Japan is now supplied by Germany.

There is an ever increasing demand for foreign (as distinct from Japanese) style paper in Japan, and, although there has been a remarkable development in the manufacture of this article by Japanese mills, the trade in imported paper is very considerable. Very keen competition for this trade exists between Great Britain, Sweden, Germany and America. In 1923, the largest share went to Sweden, but for the first half of 1924 Great Britain heads the list.

A cursory examination of the figures of trade distribution shows that some considerable changes have occurred, as compared with pre-war years.

Imports into Japan (excluding Formosa) from certain countries.

—	1904. (Million yen)	1913. (Million yen)	1920. (Million yen)	1923. (Million yen)
U.S.A.	58	122	873	512
British India	68	173	395	306
United Kingdom ...	75	123	235	237
China	55	61	218	205
Total all Countries	365*	729	2,336	1,982

* Trade between Japan and Chosen (Korea) has been deducted to make figures comparable with the later years.

Exports from Japan (excluding Formosa) to certain countries.

—	1904. (Million yen)	1913. (Million yen)	1920. (Million yen)	1923. (Million yen)
U.S.A	101	184	565	606
British India	9	30	192	100
United Kingdom ...	18	33	98	40
China...	68	155	410	272
Total all Countries	299*	632	1,948	1,448

* Trade between Japan and Chosen (Korea) has been deducted to make figures comparable with the later years.

The outstanding feature is the growing preponderance of the American share, both of imports and exports, and the falling off of the British proportion.

8. DEVELOPMENT OF INDUSTRIAL CAPACITY AS COMPARED WITH PRE-WAR YEARS.

It was only after the Restoration of 1868, when European and American civilisation began to make itself felt, that modern factory methods were introduced in Japan. Up to that period industries were of the cottage type, and were concerned principally with weaving, dyeing, embroideries, lacquered wares, earthen and copper wares, metal engraving and wood carving, which were conspicuous for their beauty and excellence. They were all the result of skilled hand-work and were not associated with modern invention. The introduction of scientific methods from Europe and America revolutionised the industrial life of Japan. Handwork, domestic, and insular industries changed into

scientific factory and world industries, leaving almost no trace of the old system. Japanese industry made extraordinary progress during the European war, when Japan was obliged to manufacture herself those articles which previously she had been in the habit of purchasing from the belligerent nations; moreover, the demand for her manufactures from neutral countries served to encourage the growth of new industries. But many of her industries are now equipped with machinery purchased at high prices during the years immediately following the war, and they are also handicapped by the big increases in labour and coal charges which have taken place in recent years. As regards the earthquake, although heavy damage was done to important industries in the neighbourhood of Tokyo, it must be remembered that Osaka, the principal manufacturing district of Japan, being outside the earthquake zone, suffered no direct loss. The following account of the more important industries of Japan which compete with United Kingdom manufactures may help to illustrate the present situation in comparison with that prevailing in pre-war years.

8(a) Electrical Industry.—The electrical industry is, potentially, the most important of all Japanese industrial enterprises. Since the country is poor in coal and petroleum resources, its manufacturing plants have been more or less dependent upon hydro-electric power, and their ability to meet competition in world markets will depend to a great extent upon its future development. In addition to supplying cheap power for the manufacturing industries of the country, the electrical industry has also been a great factor in raising the standard of living of the Japanese people. A relatively large part of the energy produced in Japan is used for lighting purposes: out of about 10,000 cities and towns in Japan proper, approximately 70 per cent. are supplied with electricity in one form or another. The amount of paid-up capital invested in electrical enterprises at the end of 1921 amounted to 1,200 million yen, as compared with 169 million yen in 1910.

Side by side with the progress of electric enterprise in general, there has been remarkable progress in the manufacture of electrical apparatus, lamps and accessories of all kinds. Factories increased in number from 26 in 1914 to 41 in 1918, with a corresponding advance in paid-up capital from 9 million yen to 26 million yen, and in operatives from 5,258 to 13,486. Many factories, however, succumbed to the economic depression which began in 1920.

8(b) Cotton Spinning.—The cotton yarn manufacturing industry in Japan has grown remarkably during the last 13 years. It is to-day by far the most important manufacturing industry in the Japanese Empire. The total paid-up capital employed has increased from 61·7 million yen in 1911 to 195·8 million yen in 1922, while the average number of spindles worked daily has increased from 1·9 million during 1911 to 4·2 million in 1923. During the European war, Japanese cotton

spinners and weavers enjoyed unprecedented prosperity. Not only did the prices of their products rise by leaps and bounds, but new orders came from China, British India, the South Sea Islands, and other places. Large quantities of cotton goods were exported to markets previously supplied by England. High prices, heavy exports, and a large domestic consumption combined to bring about a boom in cotton spinning. Profits were large and dividends high. But the unfavourable conditions created by the high price of raw cotton and low price of cotton manufactures which have persisted since 1922 have brought a depression in the Japanese cotton spinning industry which all spinning companies are regarding with concern. For the past two years firms have been spinning at a loss, and the small mills are therefore in a very shaky position. The industry suffered a loss of about 10 per cent. of the total spindles in the earthquake of 1923.

8(c) Woven Goods Generally.—The woven goods industries, which include the weaving of silk, cotton, woollen, and mixed goods, have made rapid strides during the last decade, both in the quality of the output and the amount produced. The value of output increased from 337 million yen in 1912 to 1,474 million yen in 1921. The quality of goods produced is still inferior in most cases to that produced in Great Britain; but the constant improvement in the standards of living both in Japan and her adjacent markets, together with low prices and tariff protection, has enabled these industries to forge gradually ahead. The earthquake losses were comparatively small in these industries.

8(d) Cotton Textiles.—The importance of Japan as a manufacturer and exporter of cotton textiles in years to come must be estimated, less by war-time effort and trade, than by the measure and character of the progress achieved within the industry since 1914; by its present place compared with that of the principal cotton textile manufacturing countries; and by the factors favouring or limiting the future expansion of the industry and the growth of its foreign trade. The crest of the war and post-war boom is past; and it is now possible from the events of the last few years to determine the significance of prospective internal changes and the trend of future evolution.

Reports of trade conditions in many markets where Japanese cotton goods found entrance during the war afford significant indication as to the estimation in which Japanese goods were held, and the likely degree of permanence of the war-time trade expansion. In replacing the products of other countries during the war and the years immediately following the war, Japanese cotton goods secured a distribution and a hold in a number of important markets where they were previously almost unknown; markets which they are now in a better position to cultivate because of the start made and connections obtained. A large

part of the war-time shipments, however, was in the nature of substitute goods, which were not entirely satisfactory, and which were acceptable only because of the abnormal shortage and curtailment of supplies from other countries. In fact, a good portion of what was recorded in statistical returns as exports to certain countries consisted of goods shipped without order, consigned to the local agents of Japanese trading houses, who sought to introduce their wares by offering prompt delivery when stocks were short in the market and shipments from the belligerent countries were slow.

As regards staples such as grey sheetings and drills, which have constituted the bulk of the Japanese export products for many years, the quality attained is reported to be satisfactory enough to make them acceptable in most Far-Eastern markets; especially when offered, as they usually are, at a price somewhat below the quotations for similar goods of British manufacture. Beyond these staples, however, and a few specialities, such as cotton crêpe, Japanese cotton products are inferior in quality to those of Great Britain. Under the stimulus of war-time prices and ready sales, the problem of supplying the demand in the new markets for finer and more advanced cotton products than Japan had hitherto supplied did in part bring its own solution. It led to the increased production of shirtings and other light fabrics, and to the establishment of a number of fairly large bleaching, dyeing, and printing plants. Whilst the finer and finished products were undoubtedly improved in quality with increased experimentation, it was hardly to be expected that they would prove equal to the products of the older industrial countries.

Japan's hold on the new markets, gained under the conditions described, was in large part temporary it has been gradually weakening as supplies have become more readily obtainable from pre-war sources.

8(e) Silk Textiles.—The manufacturers of silk piecegoods in Japan are, comparatively speaking, in a good position. The greater part of this industry is engaged in manufacturing a material known as "habutæ," which is consumed in great quantities by the domestic trade and which also enjoys a good sale in foreign markets. Being unique, it meets with little competition from abroad. The increase in the wage scale in Japan has allowed a wider use of this material by the Japanese, and has been mainly responsible for the growth of the industry.

8(f) Woollen and Worsted Piecegoods.—The first woollen factory in Japan was established by the government in 1877, and is still controlled by the government. Its output is used for clothing the army. This industry has been very largely developed since 1911, when the total output of Japanese factories was valued at 22·6 million yen. In 1921 it was 163 million yen. Much progress was made during and immediately following the war. The industry is, however, still in a backward condition as regards

quality, owing to the difficulty experienced in blending and mixing. The quality of plain and figureless textiles is better; but even so it is not good enough to compete with British woollens, for which Japan is Great Britain's best market. Considerable impetus was given to the industry during the European war, when the factories were called upon to supply the Russian army with uniforms, in addition to having a free hand in the domestic market. Prior to the earthquake in 1923, the industry was in much the same condition as the cotton textile industry. Foreign competition has become keener, and the plants have been forced to curtail their output. The damage to woollen and muslin mills in the earthquake was severe.

8(g) Hosiery.—The evolution of the manufacture of hosiery in Japan, in its early stages, bears a close relation to the military history of the nation; a remark which may, indeed, be made of almost all Japanese industries. The first phase opened early in the Meiji era (1868), when the production of socks for the army was commenced as a cottage industry. Gradual progress was made until 1894, when the second phase opened and the China-Japan war gave to the industry its first real stimulus. The demand caused by that war, not only for socks, but also for singlets, drawers and other descriptions of hosiery, strained the primitive resources of manufacturers; but important changes (*e.g.*, from the cottage industry to the factory system) were brought about, and the foundations of the future were laid. From 1894 on, as the use of foreign fashions in clothing extended and became more general among the Japanese, the industry made steady progress; and at the same time hosiery began to figure among Japan's exports. The Russo-Japanese War of 1904-1905 naturally contributed very materially to its success. The following table shows the rise and fall of the export trade in these goods :—

	Exported in million dozens.
1900	·36
1904	1·4
1910	5·6
1913	8·0
1916	15·4
1920	6·2
1923	5·8

These figures are very significant. They show that Japan's hosiery export trade was on an excellent basis before the European war, that it was immensely stimulated by war conditions, but that it has proved impossible to maintain the position gained in new markets. On the contrary, the volume of exports in 1923 was only about 75 per cent. of those in 1913. No doubt the reason for this falling off is in part to be found in the return of British and German hosiery to the world's markets. It is also alleged

to be due to high costs of production, and to the fact that the quality of the hosiery shipped by Japan to foreign markets has often proved inferior.

8(h) Shipbuilding.—Already before the European war Japan was constructing steamers of over 10,000 tons displacement. But this industry, which assumed such great importance during the European war, was dealt a severe blow by the drop in tonnage prices during the post-war depression. The industry also lost large government contracts as a result of the Washington Disarmament Conference. The number of large shipyards, which had increased from 6 in 1913 to 51 in 1918, fell to 27 in 1921. Tonnage launched in 1922 amounted to 59,000 tons, as compared with 619,000 tons for 1919. The shipbuilding industry was seriously damaged by the earthquake. Many large shipyards at Tokyo and Yokohama were almost entirely destroyed. This destruction, however, will not have any appreciable effect on the shipping business, since few ships were being constructed, owing to the general depression and to the fact that shipping companies were finding it cheaper to buy used tonnage from foreign markets than to build new ships.

8(i) Chemicals.—Following the post-war slump Japan's chemical industry has found itself in a bad way. This was occasioned by a slackening in the domestic demand and competition from foreign products, not only in Japan's export markets but in the domestic market as well. During 1915, production made great strides, being more than double that of 1914. From this point on the output showed a steady increase, until in 1920 the value of the chemical production amounted to 56 million yen. Following the slump in 1920, the manufacturers of certain chemicals, which included bleaching powder and caustic soda, agreed to curtail their output by 50 per cent. This action was taken because the decreased exports and accumulated stocks were breaking the price. Owing to loose organization of the industry, however, the output was not reduced; prices continued to drop, and many of the small producers were forced out of business.

Practically all the raw materials used in the chemical industry have to be imported, with the exception of sulphur and the by-products of the gas industry. This last source has been an important factor to the chemical industry, but because of its static condition cannot be looked to for an increased supply. Such chemicals as are made from a sulphur base make up the bulk of the output. One or two small factories were destroyed in the earthquake, but the industry as a whole was not seriously affected.

8(j) Paper.—Owing to the wide variety of uses for paper in Japan, this industry has grown to considerable importance in recent years. The paper manufactured comes under two distinct headings, European style and Japanese. The European style paper, which includes newsprint, etc., has experienced the greatest

growth. The demand for European style paper in Japan is increasing at the rate of 20 per cent. per annum, and can therefore be expected to double itself in the next few years. Although the Japanese mills are increasing their activity, they still cannot supply the existing demands for European style paper; and considerable competition is taking place between Great Britain, Germany, Sweden and America in the supply of this paper to Japan, of which the total value imported in 1923 was 11 million yen. The remarkable progress in the manufacture of both European and Japanese style papers by Japanese mills is illustrated in the following table :—

	Value of production in million yen.
1914	... 43·7
1917	... 95·5
1918	... 157·0
1919	... 192·3
1920	... 201·2
1921	... 163·8

8(k) Iron and Steel.—The iron and steel industry in Japan, because of the lack of mineral resources, has not attained any great importance; but the enactment in 1917 of a law for protecting the iron industry encouraged its growth. Iron works, which numbered 22 before the European war, increased to over 300 in 1919, of which 176 had an annual capacity of over 50 tons each. The output advanced from 302,000 tons of pig-iron and 283,000 tons of steel in 1914 to 611,000 tons of pig-iron, 820,000 tons of steel and 600,000 tons of steel materials in 1923. In 1920 the adverse economic conditions so much affected the industry that the number of works fell to about 170, and there was a great curtailment of production. Government works supply more than half the total production, while the private existing plants are more or less dependent upon government aid for their existence. They supply only about 25 per cent. of the domestic requirements. The heavy demand for iron and steel products during the permanent rebuilding of the regions devastated by the earthquake will no doubt cause some activity in this industry.

8(l) Engineering (excluding electrical).—The development of the engineering industries in Japan has reached the point where an association of 300 firms has asked the government for tariff protection against foreign competition. Japanese engineers are keeping abreast of the times, and, although they visit all countries seeking ideas and a knowledge of up-to-date methods, they do not in every instance adopt them, but frequently follow their own line of thought. That this is so is seen in the many types of prime-movers, steam, gas and oil engines, steam generators and turbines which are now being manufactured in

Japanese owned plants by Japanese workmen under Japanese supervision. Locomotive and rolling-stock construction work is also undertaken, and what is required for the state railways is generally built in Japan. All this is of comparatively recent growth; for, although remarkable progress was made in engineering industries in the latter part of the last century, it was not until the Russo-Japanese war (1904-1905) that real advances were made in the industry. After that war the industry was stimulated by the Government providing a bonus of 5 yen per horse-power for each prime-mover manufactured in Japan. As in the war of 1905, the European war, by cutting off importations, forced the establishment of many new machinery factories, and great extensions to the existing plants.

Imports of steam engines are not particularly active, as the Japanese shops can now compete with foreign manufactures. An investigation made at the end of 1920 disclosed that about 82 per cent. of the boilers installed in mines and factories in Japan were of domestic manufacture. Japan is naturally handicapped in the manufacture of power machinery by the lack of raw materials, which must be imported.

8(m) Rubber Manufactured Goods.—The manufacture of rubber goods is one of the new industries in Japan established comparatively recently as the result of a protective tariff. The first rubber works were built in 1886. Motor and cycle tyres, tubes, pipes, toys, etc., are now produced; and the disappearance of German rubber goods from the market during the war greatly stimulated the industry. Rubber toys are exported to Australia, South America, and India. This industry shows signs of even further expansion. The Dunlop Rubber Company, Ltd., have a factory in Japan, and their tyres are exported to all Far Eastern countries.

8(n) Soap.—The value of soap produced in Japan in 1908 amounted to 3 million yen. In 1918 it attained 20·9 million yen, of which half represented toilet soap. In 1919 Japan exported toilet soap to the value of 3·9 million yen, and household soap valued at 0·5 million yen; while in the same year soap valued at 0·4 million yen was imported from abroad, chiefly from Great Britain and U.S.A. Lever Brothers, Ltd., have a soap factory in Japan, and there are a few large Japanese factories, the rest of the industry being conducted on a small scale.

8(o) Sugar.—The daily melting capacity of the sugar mills in Japan is estimated at about 1,800 tons. The production in 1920 was 337,121,000 kin,* and the home consumption 672,231,000 kin, of which 295,039,000 kin was home-produced (including Formosa), and the balance imported. The raw material is chiefly imported from Formosa and the Netherlands East Indies. Twenty years ago refined sugar was largely imported into Japan

* 1 kin = 1·3228 lbs. av. (approx.).

from Hongkong, but at the present time Japan not only manufactures refined sugar for her own use but competes with Hongkong refined sugar in the China market.

8(p) Factory Law.—In 1916, the Factory Law, which was enacted in 1911, was put into force. It was recognised as a tentative and imperfect piece of legislation, and its practical effect was inconsiderable. The law did not apply to any factories under Government control, factories employing less than 15 hands (unless the work is dangerous or unhealthy), factories not run by motive power, or factories devoted to work of a simple nature. The law provided a working day of 12 hours, but factories employing only male operatives over 15 years of age might exceed this limit. There were other exceptions, particularly for factories turning out silk goods for export, and for juvenile workers.

Under the Factory Act Amendment Law, which arose out of the International Labour Conference in 1919 and which was passed in the Japanese diet during the 1922-23 session, certain alterations in the original law were made. The amendment law has not yet been carried into effect. In the first place the amendment makes the original law applicable to factories employing not less than 10 instead of 15 operatives, the consequence being that thousands of factories all over Japan will come under the provisions of the amendment act. Night work will be abolished between the hours of 10 p.m. and 5 a.m. for females and youths under 16; but a proviso states that, in cases where operatives are employed in two or more shifts, the amended law shall not apply for 3 years after the date of its enactment. The cotton spinning industry is the most important of those affected by this ruling. Youths under 16 and females must not be employed for more than 11 hours a day. Regulations are also to be made regarding the prohibition of work by women before and after childbirth. The welfare of the workers, as, for example, the provision of longer intervals for meals, etc., etc., also receives more attention under the amended law. The article in the original factory law which prohibited the employment of children under 12 has been deleted, and replaced by the Industrial Workers Minimum Age Law, which is to be applied to almost every conceivable branch of industry except agriculture. Under this law no person under 14 years of age may be employed.

8(q) Trade Unions.—The history of this movement in Japan can only be traced back as far as ten years, and the spirit of unionism has not yet fully permeated the people. Although the number of unions is large, few of them are carrying out their essential functions. According to the Tokyo Chamber of Commerce Bulletin of March, 1924, there was in March, 1923, a total of 423 unions in Japan, with a total membership roll of more than 150,000. The largest union had only 14,460 members. Many are so poorly constituted as hardly to deserve the title, and difficulty is experienced in collecting the subscriptions.

However, the workers in Japan have become convinced of the importance of organized power, and the trade union movement is likely to develop.

9. EXPORT ORGANISATION.

It is important to remember that although Japan occupies to-day a leading position amongst the trading and manufacturing nations of the world, she has attained that position in a remarkably short space of time; and that raw silk, which is almost entirely shipped to America, constitutes more than one-third of the total exports of Japan to all countries, whilst the greater portion of her manufactured goods is shipped to adjacent Far-eastern markets.

The German cartel system does not exist in any form in Japan, nor is there any system corresponding to it or to the American trusts. The leading colliery owners at times enter into agreements for the maintenance of prices, and also for the delimitation of spheres of operation; and these agreements are concluded not only by the purely Japanese colliery companies, but by the Fushun Colliery (a branch of the South Manchuria Railway); and the Kailan Mining Administration (the largest colliery in China and controlled by British and Chinese interests) are parties to them. The paper milling companies and the breweries also enter into somewhat similar arrangements; while the cotton spinning industry, which is the best organised industry of all, will go on short time, or will restrict export, etc., by arrangement amongst the members of the Cotton Spinners' Association. The brewers charge fixed prices in Japan, and adopt a much lower scale for export abroad; and the same is true of the sugar mills. There is also a system of drawbacks of customs duties when certain articles specified by ordinance are exported; such as, for instance, a drawback on the duty of paragon wire and umbrella cloth when finished umbrellas are shipped abroad. These arrangements, however, are all natural sequels of a protective tariff, and have nothing in common with an elaborate cartel system.

For certain purposes employers combine and form guilds, which are subject to government control; but these combinations are mostly intended to prevent shipment abroad of badly made articles, and to protect the members of the guild against various trade abuses. Examiners appointed by the guild inspect goods for export, but the control actually exercised is only limited.

The European war served to bring home to Japanese manufacturers the necessity of making their business more cosmopolitan in its scope, and of producing goods more adapted to foreign requirements. The part which Japanese shipping has played in the expansion of Japan's foreign trade is especially noticeable, and the government policy of encouraging this industry was amply justified during the war. It is easy to see

how crippled Japan would have been at that time had it not been for the ready supply of ships in which to export her products. Japanese banks, too have expanded their field of operation. The banking system is growing more and more international, and there is probably no quarter of the globe not served, directly or indirectly, by Japanese banks.

Japan's economic policy in some respects resembles that of Germany and other countries with a protectionist system, based on tariffs and subsidies and a central banking system. Her leading merchants have a very complete organisation and aim at world wide trade, and her people look to a continued development of her rapidly growing commerce.

10. SIGNIFICANT EXAMPLES OF PROGRESS IN OLD OR NEW MARKETS.

The commercial importance of the continent of Asia in the export trade of Japan has become more and more pronounced. In 1882 Europe stood at the head of the list in the volume of Japan's exports, followed by America and Asia. But in 1889, the relative position of these great divisions was altered; and since 1896 Asia has occupied the first place, followed by America and Europe, and after them by Australia, Africa and South America.

When considering the degree of competition which United Kingdom manufacturers must expect to face from Japanese manufactured articles in these quarters of the globe, it may be said at once that, although the export trade from Japan to America has grown in large proportions during the last decade, this increase is due almost entirely to the growing exports of raw silk, and that for manufactured goods Japan is not a serious rival of Great Britain in America.

The position in regard to other countries is somewhat different, and examples are given below of Japan's progress in those markets where she competes with United Kingdom manufacturers. It will, however, be seen that in very few countries has she been able to retain the trade which she gained during the war.

10(a) China.—While Japan's exports to China are only about half those to the U.S.A (her best customer), yet the China trade, being mainly in manufactured goods, is more important to Japan's industrial activity than the trade of any other country. China normally takes one-half of Japan's exports of cotton yarn and cotton piece goods. It is also the destination of large quantities of miscellaneous manufactured articles. There are also other reasons why the China market is so important to Japan. Japan has not yet reached the point where she can successfully compete with Great Britain in the manufacture of the finer grades of cotton textiles. In the coarser grades, such as are in demand in the oriental markets, the Japanese do very well. For this reason her exports of cotton textiles and cotton yarn are more or less

confined to China and other parts of the Orient and Africa. China is also an important source of raw materials for Japan. The following table is significant, as showing the rise and fall of Japan's export trade to China.

	Million yen.
1913	155
1919	447
1920	410
1921	287
1922	334
1923	272

The large decrease since 1920 is attributed (a) to the boycott of Japanese goods in China which, since the Japanese earthquake in 1923, has been lifted, and (b) to the economic disturbances in both China and Japan during the last three years. The future of Japan's trade with China is perhaps somewhat uncertain. The two articles, cotton yarn and cotton piece-goods, which make up the bulk of Japan's exports to that country, are now being manufactured in China in a larger volume every year. But on the other hand, the propinquity of the two countries is likely to give a distinct advantage to Japan in finding markets for her various new industries.

10(b) Siam.—The European war afforded Japan an opportunity of obtaining a footing in Siam, and she is making serious efforts to maintain and expand her comparatively small war-time gains. It is chiefly in cotton textiles and paper that United Kingdom manufactures are affected.

10(c) India.—After a period of remarkable expansion during the war, Japan's exports to India reached their high water mark in 1920-21. The principal articles now supplied by Japan are cotton piecegoods, cotton yarns, matches, silk manufactures, and glass and glassware. During the war Japanese competition in India threatened to be a serious factor, and extended to a wide variety of trades in which the United Kingdom had hitherto been supreme. But now that British goods are again available at competitive prices, Indian buyers are reverting to their old sources of supply; and serious competition from Japan, whose products are mainly suitable for the bazaar trade, is practically limited to cotton textiles. In these goods her trade has increased from 3 per cent. in 1913-14 to 7 per cent. in 1923-24 of the total cotton textiles imported into India from all sources. In the same years the share of the United Kingdom decreased from 97 per cent. to 86 per cent.

10(d) Netherlands East Indies.—During the war, and owing to the war, these islands placed orders in Japan for all kinds of manufactured goods which in normal times were obtained in European countries. As was anticipated, owing to the inferior quality of Japanese manufactures, orders were again placed

in Europe after the war; and, in goods for which Japan is economically not well placed, she is now unable to compete and her shipments of such goods have fallen considerably. In particular may be instanced chemicals, brass and copper sheets and wire, haberdashery, paper, woollen goods, coal tar, paints and turpentine.

In certain classes of cotton textiles Japan has improved her position; the mixture of Indian with American cotton effects an economy in costs of production. In crockery and glassware she still holds the market; this is due to the low prices at which Japanese wares may be obtained, and also to a powerful local retail organisation, most of the local dealers in this class of goods being Japanese subjects who either import direct from Japan or through a Japanese firm of general importers, who specialise in this line and are established at all the principal ports. Local importers have complained, since the war, that United Kingdom manufacturers make no attempt to supply the inferior grade of piecegoods now supplied by Japan. For these there is a constant demand, since the consumers of piecegoods are natives whose means are limited. Dutch firms have been driven to importing Japanese goods because the natives ask for them; they are much cheaper; and, although admitted to be inferior in quality, they sell well and bring handsome profits to the importers.

10(e) New Zealand.—The following figures indicate Japan's failure to retain the export trade to New Zealand gained during the war, but the proportion is still higher than in 1913 :—

	Total value of Imports. £ millions.	Imports from Japan. £ millions.
1913	22·29	·15
1919	30·67	1·26
1920	61·60	1·47
1921	42·94	·59
1922	35·01	·49
1923	43·38	·55

10(f) Australia.—A somewhat similar state of affairs exists in regard to Japan's exports to Australia. The value of Japanese trade is appreciable, though small proportionately :—

	Total value of Imports. £ millions.	Imports from Japan. £ millions.
1913	79·75	·95
1918-19	102·34	8·20
1919-20	98·97	4·22
1920-21	163·80	5·23
1921-22	103·07	3·58
1922-23	131·76	3·94

10(g) South Africa.—Here again Japanese competition has shown a steady decline from the high-water mark reached in 1918.

10(h) South America.—Due importance should be attached to the rise of Japanese exports to South American countries, particularly the Argentine Republic and Peru, where Japanese banks and merchant houses established themselves during the war. But during the economic depression which followed the war many of them closed down. Nevertheless, Japan is making a strong bid for South American business by the visits of prominent Japanese merchants, the appointment of commercial attachés, and the establishment of direct Japanese steamship lines between Japan and South America.

SIAM.

	1911-12	1919-20
Population	8,266,408	9,207,355

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Siam	618	1,352	1,646
U.K. re-exports to Siam	6	25	21
U.K. imports from Siam	176	516	400

Siamese Trade Returns. General Trade. (Port of Bangkok).*	1904. (1,000 Ticals.)	1913–14. (1,000 Ticals.)	1923–24. (1,000 Ticals.)
Total imports	78,307	90,789	136,254
Imports from United Kingdom ...	15,347	19,563	22,368
Percentage from United Kingdom	19·6%	21·5%	16·4%
Total exports...	101,386	115,520	171,426
Exports to United Kingdom ...	1,639	5,824	1,902
Percentage to United Kingdom ...	1·6%	5·0%	1·1%

* There were no reliable statistics of the amount of imports and exports through Siamese ports other than Bangkok, or of the growing imports and exports by land with the Malay States, prior to 1920–21. The Siamese Customs Authorities express the opinion that these imports and exports did not exceed in the aggregate 20 per cent. of the imports and exports through Bangkok.

NOTE.—A considerable part of the imports and the greater part of the exports of Siam pass through Singapore or Hong Kong, so that an accurate analysis is not possible.

Currency.—The unit of currency is the silver tical. The annual average value during the past four fiscal years has been as follows :—

1920-21	...	T9·58=£1	1922-23	...	T9·92=£1
1921-22	...	T9·58=£1	1923-24	...	T10·89=£1

1. GENERAL.

Siam possesses a population of nine millions, which, both actually and economically, lives upon rice. The financial stability of Siam may be considered assured. Although the reorganisation of Siamese technical departments on more or less modern lines has been accompanied by a desire for technical assistance from European countries, it is apparent that in matters relating to education of a technical and military nature Siam will accept the products and culture of any particular foreign country only to that extent which will benefit Siam. There is a growing spirit of nationalism throughout the country; and, while the tendency to replace European and American advisers by Siamese wherever possible is a natural one, it is a matter of no little importance to British trade interests in Siam, reaching, as they do, to remote teak forests in the north of the kingdom.

2. FINANCE.

The total national debt of Siam amounts to about £13,000,000. Some years ago sterling loans of one million and three millions respectively were raised, but repayment by annual drawings has reduced indebtedness on this account to about three million pounds. In 1922, a 7 per cent. loan of £2,000,000 was floated in London. In addition, Siam has drawn £4,630,000 against the loan of £4,750,000 made by the Federated Malay States Government for the construction of the Siamese railway which traverses the peninsula from Bangkok southward to Penang. In March, 1923, the Siamese Government intimated that they had decided not to apply for the then remaining balance of £120,000, the loan to stand as drawn at £4,630,000. Early in March, 1924, a loan for £3,000,000 sterling was placed in London at 6 per cent. at 95½. The financial position depends upon the condition of the rice crop, and the Government to some extent control the position by fixing the exchange value of the tical. The total circulation of currency, both coinage and notes, was 183 million ticals on 31st March, 1924. A year earlier it was 162 millions, while on 31st March, 1919, it was 220 millions. The general credit of Siam stands high, its only weakness being that it rests on the prosperity of one crop. With regard to private credit, as most of the import trade is in the hands of old-established British houses it is usually safe to extend to them fairly generous terms of payment. But for transactions with unknown native houses the British exporter is always recommended to insist upon a substantial deposit in sterling before the goods are shipped.

3. ECONOMIC DEVELOPMENT.

3(a) Railways.—The principal sphere in which developments have taken place in Siam has been her railway system. The Commissioner-General of the Siamese State Railways is a prince of the royal house, who has devoted his lifetime to the improvement of his country's communications. At 31st March, 1923, 2,392 kilometres of line were open, and 512 kilometres are under construction. The system is divided into two main divisions, the Northern and the Southern; the Northern reaching to Chiengmai, not far from the Burmese frontier, and the Southern running from Bangkok to Penang and the Straits Settlements. Apart from the market for British locomotives in Siam, which is showing signs of suffering from French competition, there is a need for modern steel bridges, owing to the numerous rivers which the railways have to cross, and a steady demand for railway materials generally.

3(b) Roads.—The modest but efficient efforts of the Siamese Department of Highways are gradually bringing into existence useful stretches of roadway in various part of the kingdom. Experience has shown that the moment a road has been built traffic springs up along it and trade soon follows. At present, however, the budget appropriation for this purpose is not very much, amounting to ticals 2,204,930 for the year 1923-24.

3(c) Irrigation.—In theory the irrigation of crops has been understood and practised in Siam from the remotest times. Until quite recently, however, irrigation methods have been of the most primitive nature—just a rough weir in the river which diverts a little water down a narrow channel in the side, which is subsequently led to the rice fields. The yearly flooding of the rivers washes away such works with great regularity, but this has, up to the present, been contemplated with equanimity by the agriculturists. Recently, however, efforts have been made to provide up-to-date irrigation methods; but unfortunately the matter was put back some years by the failure of the first modern plant which was installed. At present, the Government has the assistance of a European irrigation expert, and has under consideration proposals for the future development of irrigation works in Siam. These schemes, if put into operation, will cost about £4,500,000. In years of drought resort has been had to irrigation by pumping; and the Irrigation Department have placed an order which has gone to Great Britain for two 24-inch pumping sets directly coupled to semi-diesel crude oil engines.

3(d) Forestry.—The teak industry in northern Siam is largely in the hands of British firms, who lease the forest concessions from the Siamese Government. Although teak ranks as one of the leading industries in Siam, the importance of the export of teak to the economic life of the country is relatively small compared with that of rice, which dominates the position in every respect.

4. INDUSTRIAL POLICY.

Siam has never had any industries to speak of, except those connected with the rice trade; and it would seem more than doubtful whether she ever will. Even if the present community could be weaned from the absorbing occupation of rice growing, they would not stand much chance in competition, on the one hand, with the manufactured goods of Europe and Japan, or, on the other, with the enterprising Chinese, who invariably snatch up any industrial opportunity that offers.

5. EXTERNAL TRADE.

The following figures are instructive as showing that exports of rice from Siam are practically the whole exports of the country. The figures relate only to exports through the port of Bangkok, but this may be said to represent approximately 85 per cent. of the export of the country as a whole :—

	Exports of Rice.		Total Exports and Re-exports.
Year.	Tons.	Value (Ticals).	Value (Ticals).
1923-1924	1,292,291	140,495,136	171,426,125
1922-1923	1,254,736	126,088,607	150,058,804
1921-1922	1,250,035	138,231,324	164,496,039
1920-1921	277,410	28,975,860	66,138,025
1919-1920	441,039	123,082,698	177,300,959
1918-1919	845,323	132,096,385	162,031,430

Although rice is still cultivated by the most primitive methods, the crop is so important that recent variations are worth following in detail. The best Siamese white rice is sent to Singapore, whence it is distributed through the Malay Archipelago and countries adjacent thereto. The best quality Siamese rice is second to none in the world, and large quantities are taken by China, and, in years of scarcity, by Japan. At one time cargo rice—*i.e.*, rice that has been roughly husked but not properly milled—was chiefly shipped to Europe and to China via Hongkong, but in recent years the volume of this export has decreased. Although Siam and Burma started off with almost equal economic advantages, at the present day the export from Burma is about double that of Siam. This is due to the fact that, while the Indian Government has spent money freely upon irrigation works, the Siamese Government has only recently begun to devote some of its income to this purpose.

In the year ended March, 1920, although only 441,039 tons of rice were exported, this unusually low tonnage was valued at Ticals 123,082,698, owing to the high prices prevailing. This low export was due largely to the failure of rain in the 1919 summer. In July, 1919, the Siamese Government found

it necessary to limit the export of rice under licence, and for the next 18 months these restrictions were continued with varying degrees of severity. Finally, as from February 1st, 1921, the control was removed, and exports were once more authorised without restriction. It is to these restrictions on exports that the small figure of 277,410 tons exported during 1920-21 must be ascribed. The economic life of the country was carried on during the period of the embargo by the profits which had accrued to the people from the sales of the early part of 1919.

In the past it has been customary to fix the standard for a bumper crop at about 1,100,000 tons available for export, but during 1921-22 the total export of all forms of rice amounted to no less than 1,250,035 tons. During that year Siam was fortunate, not only in that the harvest was successful, but in that various circumstances outside the country helped to create a demand for her product. Nevertheless, the rice trade of Bangkok during the period caused many of those engaged in it to suffer heavy losses, for towards the end of the year a sudden stoppage took place in buying from Japan, while orders from Java suddenly fell off. A further difficulty arose through complaints being made about the quality of the rice shipped for the next year, viz., that ending in March, 1923. The bumper figures for 1921-22 were surpassed by 4,700 tons; but, as the average price was lower, the total value of rice exports was smaller than during the previous season. The general opinion was that the year had not been favourable to those engaged in the rice-milling industry, and several of the prominent Chinese firms engaged in the trade had to close down. Exports in 1923-24 again reached record figures.

6. COMMERCIAL POLICY.

It was not until the year 1855 that the foreign trade of Siam was opened to European traders; hitherto the character of the business had been purely Oriental. Up to the outbreak of the Great War about 55 per cent. of the foreign trade of Siam was carried in English bottoms. It may be said generally that the trade of Siam has continued to develop peacefully, being unhampered by vexatious restrictions.

7. COMPETITIVE SITUATION.

Shortly after the outbreak of the war British trade with Siam gradually fell into the hands of the Japanese and Americans. This proved to be a temporary phase, and most of the lost ground has been recovered. It is possible, however, that keener competition may now be experienced from Germany, but she has much leeway to make up. For the year ending March 31st, 1924, the value of imports was Ticals 136,253,513, of which Ticals 22,367,836 are shown as coming from the United

Kingdom. A large part of the imports, however, are received from Singapore and Hong-kong, so that no exact analysis is possible.

Cotton Goods.—Our most important exports to Siam are cotton textiles. Low quality pakamas are said to be coming in increased quantities from China, and white shirtings from Japan. The latter are, however, the residue of stocks accumulated during the boom period. A certain amount of headway has also been made in heavy "grey shirtings" by China and Japan. But the total imports have decreased all round. United Kingdom manufacturers are finding it increasingly difficult to compete with Japanese grey sheetings, particularly those sold under the "Nine Dragons" mark, which are gaining popularity on account of their low price. The old-established United Kingdom qualities still keep to the fore, but there is a tendency to change over to the Japanese sheetings whenever possible.

Cotton Yarns.—Dyed yarns are said to be meeting competition from locally dyed yarns, owing entirely to price; and Indian and Japanese grey yarns have seriously competed with English yarns. There are numerous brands of Japanese yarn, and it has been stated that, speaking generally, their quality and finish are equal to the English qualities. It is considered that Japanese and Indian competition in that article will always be serious. The effects of the Japanese earthquake will probably not be great, since most of the mills were not in the damaged area.

Manufactures of Iron and Steel.—On the whole, the position of Great Britain in these articles is satisfactory. Foreign competition is principally noticeable under the heading of "Wire Nails, Screws and Rivets," in the import of which Belgium and Germany share; and in enamelled goods, of which Japan has annexed the lion's share at the expense of Germany and Austria, who monopolised this trade in pre-war days.

Machinery —In the important branch of rice-milling machinery the Germans provided 16 rice-milling outfits during 1923-24, as against the United Kingdom's 7 outfits. German adaptiveness to native demand is said to account for the success of German competition.

Railway Material.—British locomotive manufacturers are making serious efforts to keep the trade which they had before the war with the Siamese State Railways, but competition from French manufacturers is making this exceedingly difficult

NETHERLANDS EAST INDIES.

	1905.	1920.
Population	37,717,377	49,350,834

British Trade Returns. (Merchandise only.)	1904. (£1,000.)	1913. (£1,000)	1923. (£1,000.)
United Kingdom exports to Netherlands East Indies	3,374	7,246	9,029
United Kingdom re-exports to Netherlands East Indies	105	57	104
United Kingdom imports from Netherlands East Indies	1,910	3,914	14,613

Netherlands East Indies Trade Returns. (Merchandise only. Exclusive of Government Stores.)	1904. (1,000 guilders.)	1913. (1,000 guilders.)	1923. (1,000 guilders.)
Total Imports...	184,331	436,683	616,801
Imports from United Kingdom ...	26,073	76,571	92,321
Percentage from United Kingdom	14·1%	17·5%	15·0%
Total Exports	268,619	614,205	1,367,800
Exports to United Kingdom ...	10,597	23,934	114,699
Percentage to United Kingdom ...	3·9%	3·9%	8·4%

NOTE.—The figures are for general trade in 1904 and 1913, and for special trade in 1923.

Currency.—The Dutch monetary system was introduced in May, 1854. The unit is the guilder or florin (f) of 100 cents, equivalent to about 1*s.* 8*d.* at the gold parity of f. 12 to £1. The coinage is of bronze, nickel, silver and gold, minted at the Royal Netherlands Mint at Utrecht. Treasury currency notes are issued by the Javasche Bank. The rate fluctuates within about 5 per cent. of parity with Amsterdam.

1. GENERAL AND FINANCIAL.

The population of the Netherlands East Indies is nearly fifty million, of which about 35,000,000 are situated in the Islands of Java and Madura. The greater number are Mahommedans. The population is almost entirely agricultural, and its prosperity depends principally upon the export of sugar.

During the nineteenth century the financial position of the islands from the point of view of the Dutch Government was far from satisfactory; but the great war caused a marked growth

in every branch of the islands' trade. The principal articles produced came into great demand all over the world; and a minor, though important, cause of the prosperity of the islands was that they were the only considerable productive area which remained neutral throughout the war, and from which the neutral countries adjoining the Central Empires were able to replenish their supplies.

A period of even greater prosperity followed in 1919, owing to the liberation of large quantities of produce, which, owing to the insufficiency of transport, had accumulated in the islands during the latter part of the war. It was soon apparent, however, that expectations of a continuance of these boom conditions would not be realised. The consuming countries became overstocked, and towards the middle of 1920 prices of export produce began to fall alarmingly. During the earlier months of 1921 few orders for produce of any kind were forthcoming. Buyers were not prepared to take the risk of forward orders in a steadily falling market, and a complete stagnation set in. From September, 1921, onwards a slow but steady improvement began.

The trade depression which took place during the earlier months of 1921 in no way shook the financial stability of the country. The general importers and exporters came through a year of excessive financial difficulties with great credit and an enhanced reputation. Although losses were heavy, failures were few, and there were relatively few instances of repudiation of orders. To all intents and purposes, an understanding amounting almost to a moratorium governed the policy of credit during the period of the slump; and the banks are stated to have done more than their share in supporting the weaker houses. New relations were opened with Australia, Canada and Scandinavia, and the Netherlands East Indies emerged from the crisis with a more widely distributed foreign trade, and with every promise of increasing prosperity for the future.

During 1923 and 1924 trade conditions continued to improve. Generally speaking, crops have increased and prices have been good. For a time improvement in the import trade lagged behind that in the export trade. The greater prosperity of the Colony is now, however, resulting in a better demand for piece goods or other imported goods. It is quite clear that the general economic position of the Netherlands East Indies is in the main a sound one. A country whose staple exports are sugar, rubber, tobacco, copra, coffee, tea, quinine, tapioca and cinchona bark is safe from almost all economic ills except over-trading. Indeed, there is only one danger which, however remote, is worth mentioning. The soil of most of the islands is volcanic, and geological experts consider that the danger of a serious earthquake is far from imaginary. Two years ago this fact would not have affected a country's credit, but after the effects of the Japanese earthquake it is just possible that it may be present in

the minds of investors, insurance companies and others who may be called upon to participate in the development of the country.

1(a) Public Finance.—The present position of public finance is best shown by the following table :—

	In Millions of Guilders.	
	Expenditure.	Revenue.
1920	1,060	756
1921	1,059	781
1922	856	756
1923	717	654
1924	715	631*
1925	690*	652*

* Estimated.

The ordinary budget for 1925 shows an estimated surplus—the first since 1916. There is still a deficit on the extraordinary budget. For 1924, the actual deficit is expected to be over 21 millions less than originally estimated.

The principal sources of ordinary revenue are taxes, monopolies, Government estates, mines, Government industries, harbour dues, etc. In connection with the budget estimates for the year 1925, it is worth remembering that large contracts for constructional works are provided for. These works are principally connected with schemes for the improvement of harbours, communications and mines.

1(b) Loans.—Since 1883 various loans have been placed in Holland, the Netherlands East Indies, the United States of America and the United Kingdom. In 1915 the financial independence of the Netherlands East Indies was established by law. It was estimated that on the 31st December, 1924, the funded debt would stand at about 1,051,000,000 guilders. At the beginning of the year 1923 the floating debt amounted to approximately 416 million guilders, and on December 29th, 1923, to 236 million guilders. At the end of 1924 it is expected to amount to 307 million guilders. The total indebtedness of the islands will therefore not exceed 1,358 million guilders, or approximately £113,000,000 sterling. There seems no ground for apprehension regarding the financial position of the country, since these large loans are all needed for the exploitation of the innumerable natural resources of the islands.

1(c) General Finance.—The country is adequately served by private banks, and the public has lost all inclination to speculate. Far less money is now being invested in new companies, and the general tendency is to deposit money in banks or to purchase Government bonds. Money for gilt-edged securities remains

plentiful. The rate for new loans fluctuates between 6 and 7 per cent. Standard rates for other commercial transactions are as follows :—

Discount for drafts, 3½ per cent.
Discount for Promissory notes, 5½ per cent.
Discount for auction bills, 2½ per cent.
Loans on import articles, 6 per cent.
Loans on rice and sugar, 4 per cent.
Other export articles, 5 per cent.
National Debt Certificates, 5 per cent.

2. ECONOMIC DEVELOPMENT.

The resources of the islands are so enormous that it is impossible in the space available to do more than mention some tendencies. Most of the crops grown for export are dealt with in Section 4—External Trade Development. Here it is enough to notice the principal articles other than those of the staple export trades.

2(a) Agriculture.—The year 1923 was favourable for most crops, but insect pests—especially the coffee bug, which has overrun the coffee estates of South Java, mid-Java and Pelambang, and the east coast of Sumatra—and disease took a heavy toll of the profits of many estates. The following figures show the area under native cultivation in Java and Madura, excluding plantations.

1 bouw = 1·75 acres.	1921. (Bouws.)	1922. (Bouws.)	1923. (Bouws.)
Field paddy	3,690,000	4,173,000	4,154,000
Dry-grown paddy	428,000	490,000	501,000
Maize	2,104,000	2,216,000	2,297,000
Cassava	1,107,000	1,013,000	1,048,000
Sweet potatoes	275,000	239,000	248.000
Soya beans	226,000	232,000	234,000
Groundnuts (Peanuts)	279,000	264,000	262,000
Other leguminous plants	303.000	269,000	276,000
Native tobacco	143,000	151,000	173,000
Other native crops	811,000	858,000	886,000
TOTAL	9,366,000	9,905,000	10,079,000

Oil Palm.—In Sumatra the cultivation of the oil palm is increasing, and several new estates have this year been added to the list. The output is still small, but the industry seems to be of considerable importance. The demand for Sumatra palm oil at present far exceeds the output.

2(b) Minerals.—An important change in the administration of mines has recently taken place owing to the formation of a special Government mining service, which is undertaking a methodical geological survey of the islands, systematic research work and supervision of all mineral-bearing grounds, and the administration of all State-owned mines. Up to the present no

important alterations have been made in existing mining laws, but the ordinance governing the grant of prospecting licences has been modified so that a licence may now cover all minerals except petroleum. The Government seem to desire to attract the foreign investor for the exploitation of mining concessions; but the usual form of concession stipulates that the Government shall participate in the administration of the property and share in the profits on a graduated scale, and this, in several cases, has definitely deterred British investors. Delay in granting concessions is also experienced.

Petroleum.—The islands produce about 2,300,000 tons of crude oil a year, of which about 1,500,000 tons are produced in Borneo and 200,000 tons in Java.

Coal.—The production of State-owned coal mines in 1922 and 1923 amounted to an average of about 800,000 tons per annum, and that of private-owned collieries to about 300,000.

Tin.—The following table shows the output of the Banka, Billiton and Singkep tin mines for the years 1919 to 1923 :—

Financial Year.	Banka Mines. (A)	Billiton Co. (B)	Singkep Tin Co. (C)
	Piculs *	Piculs.*	Piculs.*
1919-20	200,858	126,871	10,013
1920-21	220,044	129,481	11,648
1921-22	244,717	194,487	10,878
1922-23	276,442	181,074	13,418

NOTE :—Financial Year (A) March 1st to February 28th ; (B) June 1st to May 31st ; (C) July 1st to June 30th.
* 1 picul = 136 lbs. av. (approx.).

The Banka mines are exploited by the State, while the concession granted to the Billiton Company expires shortly. It is, however, understood that it will be automatically prolonged, but under the revised terms the Government will take a hand in the directorship of the company and share both in the profits and in the cost of further developments.

Gold and Silver.—There are State-owned mines at Tambang Sawah and Lebong Simpang in Sumatra, but at the first-named mine various technical difficulties exist which have not yet been completely solved. The Government publish no return of output. The gold and silver ore now being crushed at the Lebong Simpang mines offers no metallurgical difficulty in treatment. The privately-owned mines produce about 41 million grammes of silver and 3 million grammes of gold a year. Diamonds, iodine and manganese ore are also found.

2(c) Water Power.—The plentiful supply of water power in all parts of the country and the growing demand for electricity has led to the belief that in the next few years the country will require a number of generating stations. There are 184 sugar factories which in the near future are expected to be worked by

electricity and there is already growing up a demand for electrically-driven auxiliaries in these factories. Further, there is an increasing demand for motors and lighting sets in every known industry; and electricity will be needed in the immediate future for street and house lighting in many of the minor towns. The Service of Waterpower and Electricity have published the following figures relating to the probable demand for electricity in 1930 for Java alone :—

(*a*) For light purposes	...	...	...	30,000 k.w.
(*b*) For industries ...	...	...	...	16,000 k.w.
(*c*) For electric traction	...	...	...	80,000 k.w.

The bulk of the electrical energy will be generated by waterpower. The total waterpower available in the Netherlands East Indies amounts to 5,500,000 h.p., of which Java possesses 500,000, Sumatra 2,000,000, Borneo 2,000,000, and the Celebes 1,000,000. Of this total, only 60-70,000 h.p. has up to the present been exploited. In the above schedule Dutch New Guinea has not been included. The power exploitable in this territory has been variously estimated at from five to fifteen million horsepower. With very few exceptions, all installations now being erected are of Swiss or German origin. Climatic conditions in the islands are favourable to the transmission of electrical energy along aerial lines, but the tremendous rainfall of a tropical climate renders necessary the application of waterproof paint to all exposed ironwork.

2(d) Railways.—The islands are well served by railways, although, owing to the lack of money and the need of economy, new construction has been much reduced. A trunk line runs from Batavia to Sourabaya, and a trunk line will probably connect the two important ports in Sumatra, namely Palembang, on the east coast, and Telok Belong, on the south. Other feeder lines are in contemplation and the country is already covered with a network of tramways, besides which there are numerous light railways on the big estates. No decision has yet been taken regarding the general electrification of the State railways. In no case is it expected to be undertaken until the Budget deficit has been still further reduced. The Rhein Elbe Union rolling stock works at Cheribon have been adversely affected by their inability to obtain certain raw materials in iron and steel from the Ruhr Valley since the French occupation, and their deliveries have consequently been seriously handicapped. Many rumours have been current that the Government may dispose of certain of their railway lines to private interests if suitable arrangements can be come to, *i.e.*, if a means can be found to reach an agreement assuring a measure of co-operation between the private interests and the State. On the whole, the railways are well-managed, and the service of trains is punctual and safe. Their gross revenue amounts to about 115,000,000 guilders a year.

2(e) Roads.—The road system of Java is admirable. The whole country is covered by main roads, post roads, cross roads and byroads, and every part can be reached by wheeled traffic. It is estimated that in Java and Madura alone there are about 3,500 miles of first-class roads, 3,900 second-class and 3,500 third-class. A magnificent road, constructed during the French occupation, runs along the whole northern side of the island. The roads are well connected, and on the main roads fresh horses or petrol can be obtained at intervals of from five to ten miles. The Government spends money freely on repairs, and improvements are carried out now by paid native labour. The wear and tear from motor traffic on the main highways of Java has necessitated much repair work being undertaken during the past 12 months. In the larger towns streets and roads are repeatedly under repair, and the expenditure on maintenance is a yearly increasing factor. Municipal councils have expended so much money on road repairs that their resources for this purpose are almost exhausted, and in 1923 they had no alternative but to increase the tax on motor lorries and other motor vehicles. In the outer islands several good motor roads have been built in recent years. New roads are now being laid down in districts of growing importance. In the case of Sumatra particularly, roads are of special importance, as for many years the interior has remained inaccessible to wheeled traffic. By means of these roads a very rich area will be opened to trade. It has been shown that, in sparsely populated residencies of the outer possessions, motor roads are more serviceable than railways for opening up the country. Moreover, the natives of Java who migrate to the outer islands will settle in the vicinity of a road but not alongside a railway. Consequently, in such districts road construction, coupled with regular motor transport services, will precede the construction of railways.

2(f) Shipping.—The Blue Funnel line maintains regular services from the principal United Kingdom ports to Batavia, Cheribon, Samarang, Sourabaya and Macassar, taking cargo to other Dutch East Indian ports by transhipment. There are also opportunities for shipment by Dutch and Japanese steamers. There has been an increasing preference for shipments on through bills of lading, instead of shipping to the distribution ports of Macassar and Singapore. Inter-island traffic is largely in Dutch hands.

During 1923 shipping entered at Dutch East Indian ports amounted to 6,845,000 net register tons, of which 44 per cent. was under the Dutch flag, 37 per cent. British, 5 per cent. Japanese, 4 per cent. German and 3 per cent. American.

Proposals have been made for the construction of a deep water harbour at Samarang; the municipality has approved the scheme generally and is pressing for the adoption of measures for its realisation.

3. INDUSTRIAL POLICY.

Up to the present, the occupation of the majority of the inhabitants has been entirely agricultural. But lately the promotion of manufacturing industries by close co-operation between the Government and private initiative has become general. In 1915, a commission for the development of industry was created, consisting of high officials and men prominent in the financial and industrial field; and, to promote manufacturing industries, a separate division was established, in 1918, in the Department of Agriculture, Industry and Commerce, whose task it was to give private enterprises as complete information as possible on both technical and economic matters. The Government has already given assistance by participating financially in new industrial enterprises if necessary. Among industries now established are iron foundries, oil refineries and factories for making edible oil, brick works, factories for cardboard, paint, tin cans, rope, preserved food, chocolate, macaroni, cigars and cigarettes. The chemical industry is also well represented. Rubber goods are made in factories situated in Bandoeng and Sourabaya. The local canning industry, which is centred at Bandoeng, is likely to do well, but the local "Triplex" chest factories find it difficult to compete with the imported article.

Native Industries.—An increased demand for batik cloth has stimulated this native industry, and good prices are now being obtained for the genuine article. The native weaving industry is being revived, and the Government are taking steps to see that the natives benefit from the considerably greater prices obtained for the products of their industry abroad, as compared with those obtainable in the islands.

4. EXTERNAL TRADE DEVELOPMENT.

The following table, based on the figures for the year 1923, shows the value of the principal articles exported on private account, and the percentage which they bear to the total of exports :—

Commodity.	Value in Guilders (Millions).	Percentage of value of Total Exports. Per cent.
Sugar and molasses ...	501·7	36·7
Rubber and guttapercha ...	174·3	12·7
Tobacco	86·2	6·3
Copra	84·9	6·2
Tea	75·7	5·5
Tin and tin ore	59·7	4·4
Kapok and sisal	30·2	2·2
Coffee	29·6	2·2
Tapioca	19·7	1·4
Quinine	11·3	0·8
Pepper	11·0	0·8
Hides	8·1	0·6
Cinchona Bark	6·9	0·5

The total value of exports on private account in 1923 was 1,367,800,000 guilders, 8·4 per cent. of which went to the United Kingdom, and 14·9 per cent. to Holland. Imports, on the other hand, amounted to 616,801,000 guilders, 15 per cent. of which came from the United Kingdom and 20·9 per cent. from Holland. By far the largest imports from Great Britain consist of cotton piece goods and yarns, but the imports of sulphate of ammonia and other chemical manures are considerable. A steady trade is also done in iron and steel goods.

The following figures show the growth of Dutch East Indian export trade since the year 1913 :—

Destination.	1913.	1919.	1920.	1921.	1922.	1923.
	Millions of Guilders.					
Holland	172·6	351·0	354·5	214·2	180·7	203·6
Singapore	109·7	321·5	273·2	180·4	220·6	229·8
United Kingdom ...	23·9	235·8	143·6	51·8	59·7	114·7
United States of America	13·3	190·9	297·7	70·4	95·8	134·9
British India... ...	88·9	190·2	216·7	184·5	77·0	150·9
Japan...	35·8	180·9	140·0	109·1	115·4	109·6
China and Hongkong	51·9	156·3	167·4	138·4	86·2	100·9
Australasia	12·8	82·4	101·6	29·7	53·2	42·1
Sweden and Norway	0·0	74·6	50·2	1·2	1·2	3·2
France	26·7	63·5	20·8	17·1	37·0	60·2
Belgium	3·1	20·3	16·4	0·8	2·1	4·8
Denmark	0·9	18·7	7·4	9·3	7·0	8·2
Italy	2·5	12·3	27·9	17·9	5·8	6·2
Philippines	0·8	10·9	5·6	4·2	8·5	3·6
Siam and Indo-China	3·4	10·4	11·3	8·0	11·4	4·6
Germany	14·3	10·1	8·2	14·2	17·4	21·3
Total (all countries)	614·2	2,141·3	2,225·0	1,188·7	1,136·2	1,367·8

The general tendency is to increase exports to nearer countries; nevertheless, Holland maintained her position as the largest importer from her colonies, although, of course, a large part of the goods imported is probably destined for Central Europe. The individual commodities exported are so important that a few notes on them may not be out of place.

Sugar.—As shown in the table given above, sugar is by far the most important article of export from Java. The industry is well organised; and scientific cultivation and manufacture, guided by the work of experimental sections, have brought it to a high state of efficiency. With a few exceptions the estates are amalgamated in the United Java Sugar Producers' Association, which controls the sale of sugar.

The 1923 crop sold well. In 1924 the production (32,200,000 piculs) was about 16 per cent. higher, and prices were again good.

The area planted with cane for 1925 is 3·8 per cent. greater than in 1924, and it is expected that the 1925 harvest will be at least equal to the record yield of 1924.

The greater part of the crop is now sold to Japanese or Chinese buyers. The buyers from the United Java Sugar Producers of the 1923 crop were as follows :—

	Million piculs.
European firms	7·9
Japanese firms	9·9
Chinese firms	4·4
British Indians	2·5
Various Chinese	1·2
	25·9

Rubber.—The outstanding feature of the position in the Netherlands East Indies is that producers have refused to come to any agreement with the Rubber Growers' Association regarding restriction of output. The Minister of Colonies finally informed the Association that he had come to the conclusion that there was not sufficient reason to take measures for restricting the rubber production of the colonies. He said he was prepared to consider further proposals, but the general impression left on everyone connected with the industry in the country was that the Government would never favour any scheme which restricted the output of rubber, and therefore curtailed the development of rubber estates. It is worth noting that, although Dutch interests had refused to conform to any form of restriction, about 80 per cent. of the plantations in Java and Sumatra owned by British companies agreed to co-operate with their sister interests in the producing countries under British administration, and voluntarily to restrict their output on the same scale. The effect of restriction was, in fact, noticeable. Before October, 1922, prices obtainable for the standard qualities did not cover the cost of production; but, towards the end of the year 1923, transactions were closed as high as 78 cents per half kilogram. The United States continued to be by far the greatest purchaser from the Netherlands East Indies, one American firm having actually closed contracts with several rubber producers for the entire crop for two or three years ahead. It is interesting to note that it has been found economical to ship rubber in the form of liquid latex, a method which was employed without success during the war to smuggle it through the blockade. The latex arrived in the United States in perfect condition. It is also interesting that there is a tendency for the export of native and jungle grown rubber to increase, especially in the outer possessions.

Coffee.—The plant best suited to conditions in the Netherlands East Indies is the Robusta coffee plant, which is imported from Africa, and is rapidly superseding all other varieties. There has been a good deal of speculation in this market, especially on

behalf of Chinese dealers; there has also been a steady upward tendency conforming with a *bona fide* demand for this class of coffee in France and Northern Europe. The United States also takes a very large percentage of the total export. The high prices obtainable for Netherlands East Indian coffee have actually led to the importation of coffee from South America for the purpose of blending, and regulations had to be issued to prevent the adulteration of the local produce. It is satisfactory that these regulations were strictly and quickly enforced. The whole prosperity of the country's coffee producing business is liable to be ruined if any individual grade gets a bad name.

On July 1st, 1923, a standard coffee contract was brought into force. This contract, compiled by the coffee trade and approved by the trading associations, regulates the percentage of infected beans permissible in coffee exported under standard market grades, and in other ways protects the excellent name which Netherlands East Indian coffee enjoys in a foreign market.

Tea.—About 43,500 metric tons of tea are produced per annum. Most of this goes to Holland, Great Britain and Australia. Complaints have been received from the last regarding the unsuitable woods which are used in making tea chests, and steps are being taken to remedy this defect.

Tobacco.—The market for tobacco has been much quieter than that for the commodities mentioned above, and there is every sign of a tendency on the part of the estate owners to change over from tobacco to sugar, which is a much more profitable industry. It is known, however, that certain classes of Netherlands East Indian tobacco are of the first quality and make excellent cigars. Holland is the chief consumer.

Copra.—The growing of coconut palms and the harvesting of coconuts is an industry which reaches to the remotest parts of the archipelago. It is almost entirely in native hands, and the copra produced by the native population from nuts collected in almost every homestead, after passing through many hands, is finally exported by European firms. There is a steady demand from foreign markets for all the copra that the islands can produce. Prices are firm and the trade is well established. In 1923 over 320,000 metric tons, valued at nearly 85,000,000 guilders, were exported. Holland, Germany and France took the greater part.

Cinchona Bark.—Cinchona bark, often called Peruvian bark, is not indigenous to the country, but was imported from South America in 1854. The soil and climate of Java proved so suitable for its cultivation that an almost complete monopoly has now been obtained, and Java now supplies about 95 per cent. of the world's production of cinchona bark and of its derivative, quinine. Practically the whole of the export goes to the quinine trust, the Kina Bureau in Holland.

Although the combine of manufacturers has reduced the exorbitant prices charged for quinine, there can be no doubt

that, under normal conditions, consumption will not equal the producing capacity of the estates growing the raw material, or of the factories making the finished article. It follows that either a reduction in the wholesale price of quinine, or an all round curtailment of production, is inevitable. Certain estates owned by Japanese are tied to the combine, and their output may become important.

5. COMMERCIAL POLICY.

Although the duties have been recently increased for many articles, the tariff is far from being oppressive, and does not provide for special preference for Dutch products. The general tendency of the Government is to foster the productivity of the islands at all costs, and not to keep them preserved for Dutch manufacturers or to raise hot-house industries by a protective system. Many articles which are destined directly for the development of the colonies, such as locomotives and railway material, are still allowed in free. Export duties are levied on copra, coconut oil, pepper, sulphate of quinine and cinchona bark, silver, tin and tobacco, and increased duties have been imposed on mineral oils and bye-products. These duties appear to be imposed purely for revenue purposes, and the policy has been much criticised on all sides.

6. COMPETITIVE SITUATION.

The principal country from which serious competition is to be looked for is Germany. The principal cause of the revival of competition from this source was the depreciation of the mark, and competition in certain goods is to some extent likely to be temporary. It may be noted that, in the machinery and engineering trades, iron-ware and hardware, chemicals and aniline dye stuffs, German firms have been particularly successful in obtaining both government and municipal contracts, usually submitting tenders far below those of any of their competitors. During the past year many German firms have reopened offices in the islands, and in particular the activities of the Rhein Elbe Union, controlled by the late Hugo Stinnes, may be noticed. Their head office is at Bandoeng. There is no ill-feeling towards German goods; on the contrary, there is every disposition to buy them, especially as great energy in selling them is displayed by young Germans, who usually adopt a more businesslike fashion of disposing of their wares to the Chinese and other native dealers than do their competitors.

6(a) American Competition.—The American merchant houses established in the Netherlands East Indies have been suffering severely from the trade slump, and, in common with British interests, have been unable to compete with German manufacturers in railway plant and machinery. This is the more remarkable, since the United States had strengthened her position in these goods during the war, and in the import boom of 1919 she was the principal supplier.

Of course, the mark exchange was a vital factor against her. In motor cars and motor lorries the United States still holds a predominant position, though some headway has been made by an enterprising British firm which is represented by a good local agent.

6(b) Japanese Competition.—During the war, and owing to the war, orders were placed in Japan for all kinds of manufactured goods, of which, in normal times, supplies were obtained from European countries. It was generally anticipated that, owing to the inferior quality of Japanese manufactures, and her trading methods, orders for such goods would again be placed in Europe when normal conditions were restored. This has, in fact, gradually proved to be so. In certain classes of textiles, however, and also in silk manufactures, she is still improving her position, while in crockery and glassware she holds the market, chiefly through prices, but also through excellent retail organisation.

GROUP 11.—UNITED STATES OF AMERICA.

	1900	1910	1920
Population ...	75,994,575	91,972,266	105,710,620

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to U.S.A.	20,198	29,294	59,700
U.K. re-exports to U.S.A.	19,075	30,159	25,943
U.K. imports from U.S.A.	116,376	141,652	210,724

United States Trade Returns. General Trade: Merchandise only.	Year ended 30th June, 1904. ($1,000.)	Year ended 30th June, 1913. ($1,000.)	Calendar. Year 1923. ($1,000.)
Total imports...	991,087	1,813,008	3,792,066
Imports from United Kingdom ...	165,785	295,565	404,072
Percentage from United Kingdom	16·7%	16·3%	10·7%
Total exports...	1,460,827	2,465,884	4,167,493
Exports to United Kingdom ...	537,340	597,149	882,321
Percentage to United Kingdom ...	36·8%	24·2%	21·2%

Currency.—The unit of currency is the dollar. The par rate of exchange is $\$4{\cdot}86\frac{2}{3} = £1$. The annual average rates of exchange during the past five years have been as follows :—

1920	3·66	1922	4·43
1921	3·85	1923	4·57
	1924	4·42	

1. EXTERNAL TRADE, with special reference to Imports and the position of the United Kingdom.

1(a) Recent Progress.—In the United States economic expansion is proceeding more rapidly than in any other country. Her economic strength improved under war conditions, and the growth of wealth has been astonishing. The population, according to the National Bureau of Economic Research, increased between January 1st, 1920, and January 1st, 1924, by more than seven millions, aided by large immigration from Canada as well as from Europe. This figure, seven millions of new people, a total greater than the population of Australia, is an index to the scale on which housing, transport and industrial equipment have to be provided, and shows that there is an unlimited field for the profitable employment of American capital within the country.

1(b) Tendencies before the War.—The period immediately preceding the outbreak of the European War was almost equally notable for a rapid expansion of American industry and commerce. The United States was still heavily indebted to foreign countries for interest on invested capital, immigrants' remittances, and other items, the annual charges on these accounts being liquidated every year by the shipment abroad of immense quantities of American produce and manufactures. During the fiscal year ended June 30th, 1914, exports of merchandise from the United States totalled $2,365 millions, against imports amounting to $1,894 millions; a favourable balance on the merchandise account of $470 millions. The European War naturally led to a heavy increase in the value of the United States exports, and this increase continued until it reached the peak in 1919, with the enormous excess of exports over imports of 4,016,000,000 dollars.

1(c) Post-War Trade.—At this point, however, the excess of merchandise exports began to decline rapidly. In 1920 it dropped to $2,950 millions, and was further reduced in 1921 to $1,976 millions, to $719 millions in 1922, and to only $375 millions in 1923. In place of the former rapid progress of exports over imports, the contrary movement is now observable, and imports continue to gain in total value over exports. The gap between exports and imports has thus been reduced in 4 years by $3,640 millions. At certain periods in 1923, actually unfavourable balances in the merchandise account occurred : these were chiefly on account of heavy importations of raw materials to meet the

demands of the manufacturing industries. The whole year, however, showed a substantial, if much reduced, favourable balance. For 1923. exports from the United States showed an increase in value over 1913 of 69 per cent., and imports a gain of 109 per cent., the comparative table being as follows :—

TABLE I.

Foreign Trade of the United States.

(Millions of dollars).

—	(Year ended June 30th.) 1913.	(Calendar Year.) 1923.	Increase (+). Decrease (—). (Per cent.)
Exports	2,466	4,167	+ 69·0
Imports	1,813	3,792	+ 109·2
Excess of exports	653	375	— 42·4

1(d) Geographical Distribution of Imports.—The distribution of imports by grand divisions is given in the following table :—

TABLE II.

Imports.

Grand Division.	Millions of Dollars.		Per cent. of Total Imports.	
	1910–14. (Average).	1923.	1910–14. (Average).	1923.
Europe	836	1,157	49·5	30·5
North America ...	347	1,602	20·6	26·4
South America ...	207	467	12·2	12·3
Asia	259	1,020	15·3	26·9
Oceania	17	59	1·0	1·6
Africa	23	87	1·3	2·3
TOTAL ...	1,689	3,792	100·0	100·0

This table shows a remarkable falling off in the relative share of Europe in the United States import trade and a very high increase in the shares obtained by Asia, Oceania and Africa.

The exact position of the leading countries in the main divisions can be seen from the following :—

TABLE III.

Position of leading countries in United States import trade.

Country.	Total Imports millions of Dollars.		Per cent. of Total Imports.		Order of importance in Import trade.	
	1910–14. (Average).	1923.	1910–14 (Average)	1923.	1910–14.	1923.
TOTAL World ...	1,689	3,792	100·0	100·0		
United Kingdom ...	279	404	16·5	10·7	1	2
Germany	176	161	10·4	4·3	2	7
France	130	150	7·7	4·0	3	8
Cuba	122	376	7·2	9·9	4	3
Canada	117	416	6·9	11·0	5	1
Brazil	111	143	6·6	3·8	6	9
British East Indies	91	310	5·4	8·2	7	5
Japan and Chosen ...	85	347	5·0	9·2	8	4
Mexico	70	140	4·1	3·7	9	10
Italy	51	92	3·0	2·4	10	12
Belgium	40	68	2·4	1·8	11	15
China, Kwantung and Hong-Kong ...	38	212	2·3	5·6	12	6
Netherlands ...	35	78	2·1	2·0	13	14
Argentina	33	115	2·0	3·0	14	11
Chile	23	92	1·4	2·4	15	13
Spain	22	31	1·3	0·8	16	19
Scandinavia ...	20	63	1·2	1·6	17	16
Egypt	17	39	1·0	1·0	18	18
Balkans	14	23	0·8	0·6	19	20
Australia	12	41	0·7	1·1	20	17
TOTAL 20 Countries	1,486	3,301	88·0	87·1		

1(e) United Kingdom's Decline in Importance as a Supplier. —It will be seen from Table III. that the United Kingdom has been displaced by Canada from its position as first in order of importance, and that her share of the total imports has been reduced from 16.5 for the period 1910-1914 to 10.7 in 1923. The increase in nominal value of goods imported from the United Kingdom during this period was 45 per cent., while the total imports from all sources rose by 125 per cent. This would at first sight appear to imply a marked falling off in the share of British trade in this progressive market, and, further, a doubt whether, after allowing for increased prices, the rise in nominal value of United Kingdom imports represented any gain in the actual volume of shipments.

A truer appreciation of the position is gained by comparing these figures with those derived from the United Kingdom trade accounts. The latter distinguish exports of United Kingdom

produce and manufacture from re-exports of foreign and colonial merchandise, both of which are included in the American totals. The figures show, for 1910-14, £30,500,000 of exports of United Kingdom produce and manufactures and £30,800,000 of re-exports. Foreign and colonial merchandise thus made up half the total in that period. In 1923 the figures were £59,700,000 and £25,900,000 respectively. There was thus a definite decline in re-exports—a fact which must be associated with the general tendency mentioned below to substitute direct for indirect trading, especially with Eastern markets. The exports of United Kingdom produce, on the other hand, show a distinct advance which, after allowing for the changed price level, probably represents an increase of 10 per cent. in actual volume.

1(f) Rise of Canada and Far Eastern Countries.—On the other hand, remarkable increases are evident in the cases of Canada, Cuba, China, Japan and the British East Indies. Canada has moved up from fifth in order of importance to the position of principal exporter to the United States. The other countries mentioned have also improved their relative positions very considerably, while it will be seen that all the principal European countries have fallen away in importance. A very marked shift in the import trade has thus apparently occurred, for a proper understanding of which a study of the commodity nature of the trade is essential.

1(g) Commodities Imported.—Imports in 1923 valued at $3,792 millions were classified in great groups as follows :—

TABLE IV.

United States Imports by Commodities.

Great Groups.	Value in millions of dollars.		Per cent. of Total Imports.		1923 Relative to 1910–14 as 100.
	1910–14. (Average).	1923.	1910–14 (Average).	1923.	1923.
Crude materials for use in manufacture ...	581	1,386	34·4	36·5	239
Foodstuffs crude and food animals ...	203	363	12·0	9·6	179
Foodstuffs partly or wholly manufactured	194	530	11·5	14·0	273
Manufactures for further use in manufacturing	307	721	18·2	19·0	235
Manufactures ready for consumption ...	389	771	23·0	20·3	198
Miscellaneous ...	15	21	0·9	0·6	140
TOTAL	1,689	3,792	100·0	100·0	225

The principal commodities included in the great groups are shown in the following table :—

TABLE V.

United States Imports.

Commodity.	Total Imports in millions of Dollars.		Per cent. of Total Imports.		Relative to 1910–1914 as 100.
	1910–14. (Average).	1923.	1910–14. (Average).	1923.	1923.
Animals and Animal products	214	359	12·7	9·5	168
Vegetable food products	390	917	23·1	24·2	235
Other Vegetable products	176	347	10·4	9·1	197
Textiles	387	1,009	22·9	26·6	261
Wood and paper ...	90	341	5·3	9·0	379
Non-metallic minerals...	90	246	5·3	6·5	273
Ores, metals, and manufactures	158	295	9·4	7·8	187
Machinery and Vehicles	11	20	0·7	0·5	182
Chemicals and Allied products	88	123	5·2	3·2	140
Miscellaneous	85	135	5·0	3·6	159
TOTAL	1,689	3,792	100·0	100·0	225

1(h) Predominance of Raw Materials.—The great bulk (80 per cent.) of America's imports consists of crude materials and semi-manufactured goods required for the great manufacturing industries of the country, and of foodstuffs. The United Kingdom, considered as a direct supplier, could not therefore hope to gain much in this direction, but it might have been expected that a considerable share of the increased imports would have been obtained by the United Kingdom as a re-exporting country.

1(i) Effect of Direct Trading on United Kingdom Trade.—A reference to the geographical distribution of the trade, however, suggests that the United States has established to a much greater extent than before the war direct trading with non-European sources of supply of raw materials which were formerly handled through Europe. The importance of Europe as an agent in this intermediary trade has therefore declined. This movement towards more direct trading, although perceptible in pre-war years, was accentuated by the conditions brought about by the war. The United Kingdom has recently recovered some of this

lost entrepôt trade; but the following figures, relating to two commodities of some importance in the United States import trade, indicate the extent to which this movement has developed :—

IMPORTS IN THOUSANDS OF POUNDS WEIGHT.

	(Average.) 1910-14.	1923.
Crude Tin:		
From United Kingdom ...	57,700	25,014
Straits Settlements	38,226	105,137
Rubber:		
From United Kingdom ...	28,737	66,612
,, British East Indies ...	8,315	462,112
,, Dutch East Indies ...	133	112,305

The ability of other countries such as Canada, Cuba, China, and Japan to supply the needs of the United States is now most apparent. The chief imports from these countries consist of supplies which do not compete with United Kingdom products. Thus Canada's progress is due to increased sales of newsprint, wood pulp, wheat and timber; Cuba's, to sugar and tobacco; China's and Japan's, to silk.

There still remains, however, the question of manufactured goods. These in 1923 only amounted to 20 per cent. in value of the total imports. As, however, even this relatively small proportion in 1923 reached in value the substantial sum of $770,000,000, and as the scope of the present survey is intended to cover mainly export markets for the finished products of British factories, the situation with regard to imports of manufactured goods into the United States deserves special attention.

Although Europe still holds first place as a source of supply of manufactured goods for the United States, she has dropped in relative importance compared with pre-war years, while all the other continents have shown an increase. Manufactures were gaining in relative importance in American exports before the war and losing ground relatively in the import trade. This movement was intensified by the war and is a reflection of the growing manufacturing activity of the country, resulting in greater requirements for raw materials and a lessened dependence on foreign manufactures.

It is not practicable to examine in detail all the diverse classes of manufactured articles that enter into the United States import trade and the relative importance of the various sources of supply, but the position of a few leading groups may be noted. Textiles figure most prominently among such imported manufactures. For example, imports of cotton cloth amounted in 1923 to $47,000,000. The United Kingdom has always been the principal supplier of these goods, and in the year in question she furnished more than 80 per cent. of the entire quantity. Cotton laces and embroideries were valued at $17,000,000, consisting

mainly of machine-made laces valued at upwards of $9,000,000. More than half of these were purchased from France, followed closely by Germany, who contributed nearly one-third of the total. The increase in the amount of machine-made laces from the United Kingdom was comparatively negligible. The value of silk manufactures imported during 1923 amounted to $44,000,000, but Great Britain's share of this was relatively insignificant. Woollen manufactures were valued at $58,000,000, the United Kingdom securing the bulk of this trade. In the chemical group, coal tar colours, dyes, &c., amounted to $5,000,000, Germany being the principal supplier with 44 per cent., while Great Britain had but 4 per cent. Other items of some importance are textile machinery, pottery and earthenware, glass and glassware and leather goods, in all of which the United Kingdom figures prominently as a supplier.

So far as the principal manufacturing industries of the United Kingdom are concerned, there is not a very wide field, apart from specialities, outside of the cotton, woollen and worsted and clothing industries. In the iron and steel group the bulk of British exports to the United States consists of ferro-alloys and pig iron. For constructional shapes, rails, etc., there is little possibility of British participation in the American market, except, perhaps, in the way of temporary openings in times of exceptional demand. The same may be said of the shipbuilding, electrical, and engineering industries, with the exception in the last group of textile machinery. There are, however, distinct possibilities in the smaller groups of industries, such as pottery and earthenware, glass and glassware, leather manufactures, and a wide range of diverse articles described variously as luxury goods or novelties which find a ready market on account of their superior quality.

In glass and glassware, France, Germany, Czechoslovakia, Belgium and Japan are formidable competitors, while, in china and porcelain, Japan and Germany are also prominent suppliers in competition with the United Kingdom.

In travelling requisites and leather goods, French, German and Austrian goods compete. The British article has a reputation for durability and finish, but foreign designs are said to be superior. Manufacturers in these countries are also more willing to conform to American notions of style.

In almost every class of imported manufactures the United Kingdom has to face competition from the leading European countries. Where quality and workmanship are the deciding factors, the British article sells on its merits without particular regard to price; where price is a more important factor, continental countries and Japan generally have the advantage; while, in articles capable of manufacture on a large scale, the development of the domestic manufacturing industries has practically eliminated serious competition from foreign sources.

1(j) Prohibition.—The effect of prohibition on British exports to the United States is difficult to determine. Exports of

spirits from the United Kingdom to the United States in 1913 were 1,287,351 proof gallons, valued at £636,000, as against 3,587 proof gallons in 1922, valued at £6,757.

2. COMMERCIAL AND INDUSTRIAL POLICY.

The foundation of American manufacturing success is domestic demand. The great bulk of American manufactured products are absorbed in the country itself, the export of manufactured goods being relatively small.

The importance of keeping this great domestic market for American manufacturers is the origin of one of the chief features of American commercial policy, *i.e.*, a protective tariff. The enormous natural resources of the country and the great consuming power of the population have led, with the assistance of a protective tariff, to the production of many classes of manufactured articles on a huge scale.

2(a) Tariffs.—The Tariff Act of 1913, which reduced many existing duties, was considered to mark the arrival of the time when American industries had attained their full adult state and stood no longer in need of special protection. It was an attempt to benefit the general consumer in the United States by subjecting domestic manufacture to a competition from abroad which would increase its efficiency and tend to keep prices down to reasonable levels. This Act, however, suffered no real test, as it had only been in operation a short time when the European war broke out. This not only had the effect of protecting the American market from foreign competition, but also of diminishing or eliminating the competition which American exporters would normally have to meet in markets outside the United States.

At the conclusion of the war, however, doubts were expressed as to the ability of domestic manufacturers to hold the market in face of the renewed competition from European countries, especially those whose currencies had heavily depreciated. It was claimed that certain key industries, which had grown considerably in the absence of foreign competition during the war, would be practically unable to continue without adequate protection. This, and other considerations, led to a demand for tariff revision which eventually resulted in the enactment of the Fordney McCumber Tariff in 1922. This measure provided for additions to and increases in the duties on agricultural produce in view of the depressed state of the agricultural industry, but its chief provisions, from the point of view of United Kingdom trade, were those introducing heavy increases in the rates on various classes of manufactured goods which the United Kingdom had been in the habit of supplying to the United States in appreciable quantities. Among these items textiles, chinaware, glassware, high speed steel, cutlery and jewellery suffered particularly.

2(b) Effect of Tariff on United Kingdom Trade.—The effect of this new tariff on British exports to the United States is as

yet exceedingly difficult to determine. It is certain that, among the articles in which quality and fashion are the chief factors, the increased prices necessitated by the tariff have not reduced the volume of shipments from the United Kingdom to the United States. It is equally certain, however, that, in staple lines of manufactures in which quantity and low prices are important factors, the tariff has rendered competition from the United Kingdom practically impossible.

2(c) Safeguarding Sources of Supply of Essential Raw Materials.—Strenuous attempts are being made to free the United States from her dependence on certain foreign countries for supplies of essential raw materials. An appropriation of $500,000 was authorized by Congress in 1923 for the purpose of surveying the sources of supply of rubber, nitrogen, sisal and tanning materials. This was mainly the result of the restrictions placed on the export of rubber from British colonies in the Far East. American consumers of rubber demanded, in consequence, an extensive government investigation into the rubber situation with a view to reducing the dependence of the United States on British sources of supply. Field parties have therefore been sent out by the American Government to prospect for suitable plantation ground in the Philippines, the Amazon region and Central America. Reports received so far do not indicate that any appreciable measure of success has been achieved. In the case of nitrates, a representative of the Fixed Nitrogen Research laboratory was sent to Europe, to examine methods of nitrogen fixation, and the Director of the Bureau of Mines to Chile, to investigate methods for reducing the cost of production of sodium nitrate.

2(d) Change in Commercial Treaty Policy.—The United States has hitherto placed upon the " most-favoured-nation " clause in commercial treaties a so-called " conditional " interpretation, that is to say, that privileges extended by the United States to one particular foreign country could not be claimed under a most-favoured-nation clause by another country except in return for the same or an equivalent concession. The validity of this interpretation of most-favoured-nation clauses in old treaties is not now questioned or abandoned by the United States, but the present American Government have announced the intention in future to seek complete unconditional equality of treatment for American trade, and, in return, to offer like treatment to the trade of other countries. As a logical preparatory step to the execution of this new policy, the tariff preference heretofore granted by Brazil to American products has been voluntarily abandoned.

2(e) Government Assistance to Traders.—An outstanding feature in the development of the external trade of the United States is the expansion in activity and importance of the Bureau of Foreign and Domestic Commerce, the department correspond-

ing to the Department of Overseas Trade. In the early part of its history the appropriations were small and its activities restricted, but during the last four or five years its work has come to be regarded as essential to United States trade, and its appropriations have increased from $160,000 in 1913 to over $2,900,000 assigned for 1924-25.

3. PROSPECTS FOR THE FUTURE.

It has been shown that of the principal exporting industries of the United Kingdom only the cotton, woollen and worsted, and clothing groups offer any appreciable promise in trade with the United States, and that in the other great groups there is little hope of securing an increased share of the American market under present conditions. Similarly, it has been indicated that more direct trading on the part of the United States has lessened the possibilities of expansion of trade from the United Kingdom in re-exports. It might also be added that there is no prospect at present of amelioration of the stringent tariff rates.

There is, however, the wide range of miscellaneous articles described variously as novelties or "luxury goods," of which the United States continues to be a large purchaser in spite of the incidence of the tariff. The enhanced purchasing power of the American people has been strong enough to create an insistent demand for imported goods of high quality, in regard to which the factor of price is of secondary consideration. Among these are chinaware, earthenware and glass, high-class cotton and woollen piece goods, wearing apparel, linen goods, leather specialities, sporting goods and preserved foods. It is encouraging to note that in 1923, the first complete year in which the new tariff was in operation, there were increased imports of these articles into the United States from the United Kingdom.

3(a) Direct Trade with the Pacific Coast.—The growth of the Pacific Coast as a separate entity in external trade with the United Kingdom, by reason of the direct shipment facilities afforded by the Panama Canal, is deserving of special notice. The great distance of the Pacific seaboard from the eastern manufacturing centres, with the resultant heavy railway freights, makes it possible for goods to be shipped from England to the Pacific Coast in competition with domestic manufactures from the great industrial centres of the Eastern States. The community on the Pacific slope is, moreover, an exceedingly prosperous one, with a pronounced tendency towards a luxurious standard of living, to whom articles of high quality make a special appeal.

3(b) Future Trade Possibilities.—The United States is the market with the greatest purchasing power, and a very high standard of living. As a potential purchaser of high grade article-

which European manufacturers are able to supply she has immense possibilities. The position of the United Kingdom in relation to the American market can be considered at the moment as not unsatisfactory, having regard to the set-back in trade due to the war and the conditions after the war. The increasing ability of Germany, France and other Continental countries to compete with the United Kingdom for this trade will necessitate considerable efforts on the part of British manufacturers, if they are to improve, or indeed to maintain, their present volume of business with the United States.

4. EXPORT CAPACITY AND COMPETITIVE STRENGTH.

4(a) Productive Capacity.—The United States has long been the foremost producer of raw materials and food products, and she can now lay claim to be the foremost manufacturing nation. The growth of her manufacturing industries in recent years has been remarkable. The following extracts from production statistics prepared by the United States Bureau of Census give some idea of the immense capacity of the country :—

United States Manufactures for the years 1904 *and* 1919.

Group.	Average number of wage earners.		Value of products manufactured.	
	1904.	1919.	1904.	1919.
			$1,000	$1,000
Food and kindred products ...	354,046	684,672	2,845,556	12,438,891
Textiles and their products ...	1,163,497	1,611,309	2,168,892	9,216,103
Iron and steel	868,634	1,585,712	2,199,776	9,403,634
Lumber	734,136	839,008	1,219,749	3,070,073
Leather	264,459	349,362	724,391	2,610,231
Paper and printing	351,640	509,875	859,814	3,012,584
Liquors and beverages... ...	68,338	55,442	504,254	603,895
Chemicals and allied products	227,326	427,008	1,075,519	5,610,299
Stone, clay, and glass products	285,346	298,659	391,147	1,085,529
Metals and metal products other than iron and steel	198,531	339,469	895,975	2,760,294
Tobacco manufactures... ...	159,406	157,097	331,111	1,012,933
Vehicles for land transportation	136,625	495,939	320,624	4,058,912
Railroad repair shops	247,922	515,709	323,212	1,354,446
Miscellaneous industries ...	408,477	1,227,111	936,883	6,180,255
All industries	5,468,383	9,096,372	14,793,903	62,418,079

This huge productivity is due to the vast natural resources of the country, which made possible the growth of a wealthy population whose great demands led to production and standardisation on a scale not reached by any other country.

4(b) Exporting Capacity.—American exports in 1923 reached a total of $4,167 millions. The following table shows the

principal countries of destination, with comparative figures, for 1910-14 :—

Countries.	Total Exports in millions of dollars.		Per cent. of Total Exports.	
	1910–14. (Average).	1923.	1910–14. (Average).	1923.
United Kingdom	568	882	26·2	21·2
Canada	315	652	14·5	15·6
Germany	304	317	14·0	7·6
France	139	272	6·4	6·5
Japan and Chosen	45	267	2·1	6·4
Cuba	63	192	2·9	4·6
Italy	66	168	3·0	4·0
China Kwantung and Hongkong	31	135	1·4	3·2
Mexico	53	120	2·5	2·9
Australia	39	119	1·8	2·9
Argentina	47	113	2·2	2·7
Netherlands	105	109	4·8	2·6
Scandinavia	33	109	1·5	2·6
Belgium	53	101	2·5	2·4
Spain	26	62	1·2	1·5
Brazil	31	46	1·5	1·1
British East Indies	14	40	0·7	0·9
Chile	14	31	0·6	0·7
Balkans	5	18	0·2	0·4
Egypt	2	6	0·1	0·1

Raw materials and food-stuffs form the greater proportion of American exports, but 36·1 per cent. of the total exports in 1923 consisted of manufactures ready for consumption. The value of these exports amounted to $1,478 millions and, as they are largely competitive with British products, their nature and distribution will be considered in greater detail.

The United States manufactures primarily for itself, but the available surplus, though only a small proportion of production, is a highly important factor in the competition with foreign countries for markets outside of the United States.

These goods may be broadly divided into equipment for productive purposes, and goods for consumption. Amongst the former are locomotives, rails and other articles for railway development, and a very wide range of machinery and tools of all descriptions. Machinery designed to economise labour is a natural product of a country not fully supplied with labour; and the United States is able to supply countries not yet fully developed with this class of goods, among which are included agricultural implements, well drilling, lumbering and mining machinery. Similarly, typewriters, adding machines, and a wide range of labour saving devices comprising " office equipment " have become American specialities, and the large domestic demand for such articles has enabled production to be carried out on a large scale. The automobile industry is a remarkable example of

large scale production, over 4,000,000 vehicles being produced in 1923, about 152,000 of which were exported.

4(c) Ratio of Exports to Production.—A rough estimate prepared by the Bureau of Foreign and Domestic Commerce indicates that in 1921 exports equalled about 11 per cent. of total production. A selection of important manufactured articles for which figures are available is contained in the following table :—

Items.	Production.		Exports.		Per cent. Exported.	
	1914.	1919.	1914.	1919.	1914.	1919.
Motor cycles, thousands...	62	59	7	24	10·5	41·4
Bicycles, value in $1,000...	3,757	12,691	501	3,235	13·3	25·5
Cash registers, „ ...	15,935	31,574	3,200	4,081	20·1	12·9
Typewriters, „ ...	24,500	52,738	7,573	17,391	30·9	32·1
Sewing machines, „ ...	21,392	43,695	8,659	12,774	40·5	29·2
Pianos, 1,000 instruments	326	337	6	17	1·8	5·0
Milk, evaporated, condensed and powdered, millions of pounds ...	912	2,215	22	853	2·4	38·5
Leather boots and shoes, 1,000 pairs	292,667	331,325	9,926	21,355	3·4	6·4
Rubber boots and shoes, 1,000 pairs	61,236	75,354	1,939	6,055	3·2	8·0
Cotton yarn, 1,000 lbs. ...	497,987	618,034	* —	20,699	—	3·3
Cotton hosiery, 1,000 dozen pairs	61,410	60,613	* —	9,477	—	15·6

* Not separately classified.

4(d) Distribution of Manufactures.—The distribution of American exports of manufactured goods for 1910-1914 and 1922 by grand divisions is as follows :—

Grand Division.	Value in Millions of dollars.		Percentage of Total.	
	1910–14 (Average).	1922.	1910–14 (Average).	1922.
Europe	209	379	31·9	29·3
N. America	241	404	36·8	31·3
South America	83	165	12·7	12·8
Asia and Oceania ...	106	309	16·2	23·9
Africa	16	35	2·4	2·7
Totals ...	654	1,292	100	100

The effect of the shift in imports and of the opening up of direct trade relations is noticeable here; it has resulted in larger purchases by Asia and Oceania of United States manufactures. Canada took 31·3 per cent. of the United States exports of manufactured goods in 1922. This proportion consisted of iron and steel goods of all descriptions, automobiles and

parts, machinery, vehicles, electrical apparatus, farm implements, binder twine, chemical products and cotton fabrics. It is significant that all of these goods are also important items in the export trade of the United Kingdom.

Latin America.—Special attention has been paid to Latin America as a market for United States goods. *Argentina* imports large quantities of cotton cloth and hosiery, iron and steel products, agricultural implements, hardware, machinery, automobiles and musical instruments. Similar articles are sent to *Uruguay*. *Brazil* is a market for cotton goods, automobiles, machinery, iron and steel goods, locomotives and rails. The largest single item of export to *Chile* is cotton cloth, but iron and steel goods, electrical apparatus, locomotives and rails, and automobiles, are important. Exports from the United States to *Bolivia*, *Ecuador* and *Peru* are similar to those sent to Chile: cotton textiles, machinery, construction materials and various small manufactured goods make up the bulk of the trade. The Central and North Coast countries import similar goods.

Asia and Oceania.—Japan purchases large quantities of iron and steel goods from the United States. There is a large demand for steel in partially manufactured form. Heavy black sheets, bars, tin-plates, wire rods, pipes and tubes are conspicuous. Machinery, electrical apparatus and appliances, and motor trucks are also purchased. On account of the earthquake, large quantities of constructional materials have recently been imported from the United States. *China* is also a purchaser of iron and steel goods, and of cigarettes and tobacco.

Australia and *New Zealand* are good markets for iron and steel goods, saws and other tools and machinery, and automobiles. In 1923, Australia imported 25,817 motor cars from the United States and was the most important export market for this trade.

India.—The United States' share of trade with India is relatively small, but she is paying particular attention to this market and already does substantial business in hardware, iron and steel products, machinery and mill work, and automobiles.

Africa.—The chief United States exports to *South Africa* are automobiles and tyres, machinery, agricultural implements, electrical goods, and cotton and silk hosiery. In *East Africa* the United States has lost ground in iron and steel goods, but has shipped increased quantities of unbleached cotton goods. The American automobile dominates this market and is also important in the trade with *British West Africa*, into which territory 201 passenger cars and 359 trucks were imported from the United States in 1923.

4(e) Significant Changes.—Prior to the war, Europe absorbed nearly three-quarters of the United States exports of semi-manufactured goods, but this has dropped since the war to about one half of the total. Canada now takes about a quarter of the total in this group, whereas, in the period 1900 to 1904, the share was only one-eighth. The greatest increase is shown in Asia and Oceania, which has increased from 5 per cent. in 1910-1914 to over 20 per cent. in 1921 and 1922.

In manufactured goods Canada had already held first place before the war, taking 36·8 per cent. of this group in 1910-1914, compared with 32 per cent. for Europe. Since the war, however, both Europe and Canada have taken a slightly smaller percentage, but Asia and Oceania have taken 23·9 per cent. of American exports in this group for 1921 and 1922, as compared with 16·2 per cent. in 1910-1914. The importance of Canada and other British Dominions in the United States export trade is very marked. In these markets the United States is a formidable competitor in practically all classes of goods which are produced in the United Kingdom. Moreover, the immense domestic market preserved for the American manufacturer by a protective tariff enables production to be carried out on a huge scale. Export prices in many articles are therefore very low, and enable the Americans to capture Dominion markets in spite of the preferential duties.

There are indications in some industries, notably the automobile industry, that the United States cannot continue to absorb in the country itself the present high proportion of output. Of the 4,000,000 cars, for example, produced in 1923, about 96 per cent. were retained in the United States. If this rate of production is to be maintained, it is probable that it will be necessary to place a much higher proportion of output in foreign markets.

4(f) Coal.—Coal is the principal raw material in regard to which the United States can be considered a competitor of the United Kingdom. The estimated output of bituminous coal for the year ended 31st December, 1923, was 545 million short tons, compared with 422 millions in 1922.

Exports in 1923 were 19,154,981 tons, compared with 11,083,112 tons in 1922, and an annual average of 13,750,000 tons during the period 1910-1914. The 1923 exports were distributed as follows :—

	Tons (2,240 lbs.)
France	842,669
Italy	585,085
Netherlands	378,926
Other Europe	584,524
Canada	15,048,444
Panama	19,265
Mexico	94,648
British West Indies	116,704
Cuba	610,619
Other West Indies	169,986
Argentina	131,065
Brazil	310,724
Chile	19,629
Egypt	22,996
French Africa...	82,710
Other countries	136,987

During the years 1910-1914 an average of 10,002,000 tons were exported to Canada, 1,211,000 tons to Cuba, and 2,537,000 tons to other countries. The quantity exported to these other countries in 1923 was 3,496,000 tons.

American exporters are making efforts to build up a permanent business on an enlarged scale with foreign markets, and, as the present prices of American coals are exceptionally low, competition from this quarter, in South American markets particularly, can be expected.

4(g) Investments Abroad.—The United States has made a rapid and long advance in the field of foreign investment, and the following table shows the distribution of these investments at the end of 1923 :—

ESTIMATED AMOUNT OF AMERICAN INVESTMENTS ABROAD AT THE END OF 1923.

(Millions of dollars).

Region.	Government obligations.	Industrial securities and direct holdings.	Total.
Canada...	750	1,750	2,500
Cuba	110	1,250	1,360
Mexico	22	1,000	1,022
Central America and West Indies*...	48	100	148
South America	430	800	1,230
Europe...	950	350	1,300
Asia†	190	250	440
	2,500	5,500	8,000

* Not including Porto Rico.
† Including Philippines.

This table brings out the significant fact that, while United States investment capital in Europe has been placed chiefly in government bonds, it has been attracted mainly into industrial ventures in Canada, Cuba, Mexico and South America, the areas with which American export trade in manufactured goods has made, and is likely to make, the greatest advances.

GROUP 12.—SOUTH AND CENTRAL AMERICA.

ARGENTINA.

	1905	1914	1923
Population ...	5,289,948	7,885,237	9,400,000 (approx.)

(Estimates for 30th June.)

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Argentina ...	10,845	22,641	28,138
U.K. re-exports to Argentina ...	727	796	694
U.K. imports from Argentina ...	23,407	42,485	64,948

Argentine Trade Returns. Special Trade, including Silver Bullion.	1904. (1,000 gold pesos.)	1913. (1,000 gold pesos.)	1923. (1,000 gold pesos.)
Total imports	φ187,306	*496,227	*868,430
Imports from United Kingdom ...	φ64,517	*154,054	*206,643
Percentage from United Kingdom	34·4%	31·0%	23·8%
Total Exports	*264,158	*519,156	*771,361
Exports to United Kingdom ...	*36,445	*129,275	*188,915
Percentage to United Kingdom ...	13·8%	24·9%	24·5%

φ Official values. * Real values.

Currency.—The unit of currency is the gold peso. The par rate of exchange is 47·58 pence to the peso. The annual average rates of exchange during the past five years have been as follows :—

1920	59½	1922	44·421
1921	45½	1923	41 15/64
	1924	42 15/32	

The money in circulation is chiefly paper, the paper peso being equivalent to ·44 gold peso.

1. FINANCE.

The financial position of Argentina is prejudiced by the accumulation of budget deficits from year to year, and by the lack of any comprehensive measures for the consolidation of the floating debt, which increased enormously during the war period. Owing to the custom of treating sales of bonds or short term loans as revenue, and of resorting to extra-budgetary expenditure; owing also to involved methods of accounting; the true balance of actual revenue and expenditure cannot be indicated with any

certainty. The best index is the amount of floating indebtedness over a period of years.

The figures for 1922 show an actual revenue in cash of 463,271,000 paper pesos and expenditure of 633,434,000 paper pesos, leaving a deficit of 170,163,000 paper pesos, which brought the accumulated deficit since 1913 to very nearly 1,000,000,000 paper pesos. Fortunately for Argentina, its capacity for production and commerce is far in excess of its financial burden.

The consolidated debt amounted to 1,238,000,000 paper pesos on December 31st, 1913, and to 1,295,000,000 on December 31st, 1922. On the other hand, it must be remembered that the floating indebtedness is almost as large as the total funded debt. Nevertheless, Argentina's public debt is to-day lower than that of most nations of equal standing. According to the Director of Statistics, Argentina had in 1913 a debt of $177 paper per capita, taking the population at 7,500,000, and that debt has risen to $243 paper per capita with an estimated population of 9,000,000. Among nations of a similar economic capacity the only ones with a lower per capita indebtedness at the end of 1922 were Spain, Sweden, Norway, Uruguay and Brazil.

A proposal has been made by the Government to consolidate the floating debt by the issue of one foreign and two internal loans, but Congress has not yet dealt with the project.

A provision of 1 per cent. annual amortisation is always carried by Argentine foreign loans. This has been scrupulously maintained, and accounts for the high level of Argentine securities in the financial world.

2. ECONOMIC DEVELOPMENT.

2(a) Agriculture.—Argentina's chief wealth lies in the agricultural and livestock industries, the products of which constitute practically her entire exports. Agriculture, principally cereals (wheat, maize, linseed, oats), ranks first in importance.

Wheat.—In wheat the exports tend to increase. Though the area now under cultivation is less than in 1913, this is counterbalanced by an improved yield per hectare. The improvement is due in some measure to steps taken by the Government and the railway companies to assist agriculturists by the dissemination of information and the provision of seed.

Maize and Oats.—The export of these two cereals decreased during the war and is still considerably below the pre-war average figures.

Wool.—During the 1922-23 wool year the demand was keen, and there were practically no stocks left at the end of the season, in spite of the vast stocks of unsold wool which had remained over from 1921. Exports show an increase on those of 1913. The United States, France and Germany now hold the leading places as consumers of Argentine wool, whereas before the war they imported less than a third of the quantities which they now take.

QUANTITIES OF EXPORTS.

	1913	1923
	M. Tons.	M. Tons.
Wheat	2,812,149	3,721,857
Maize	4,806,951	2,859,215
Linseed	1,016,732	1,035,788
Oats	889,744	458,453
Wool—in the grease ...	120,080	131,615
Wool—scoured, etc. ...	—	6,139

2(b) Meat Trade.—The cattle industry has been passing through a critical period since the slump of 1921. Prior to 1913 the sole destination of Argentine frozen and chilled meat, extracts and preserved tongues was the United Kingdom. The war brought unprecedented prosperity to the industry, but the subsequent relapse has resulted in demoralisation. Local agitation, which has been directed against the packing houses, centres on the difference between the price paid by these companies for the cattle and the price realised in Smithfield. The pastoral interests claim that the companies retain an excessive proportion of the difference, and various remedial legislative measures are being urged, including the authorisation of the Government to expend 10 million pesos on the construction and operation of a meat freezing establishment at Buenos Aires. Nevertheless, export of meat from Argentina continues to increase, and the proportion of "chilled" meat for the British market steadily increases in relation to that of fully frozen meat.

According to the livestock census taken as at December 31st, 1922, there were in the Argentine Republic the following livestock :—

Cattle	37,064,850
Sheep	36,208,981
Hogs	1,436,638

which, in comparison with a similar census in 1914, shows an increase of 11,198,087 cattle and decreases of 7,021,471 sheep and 1,463,947 hogs.

2(c) Minerals.—With the exception of petroleum, no mineral deposits of any importance have been discovered in regions in which they can be developed at a profit, and little private local or foreign enterprise has been shown in the exploitation of such mineral resources as exist. Consequently there is little or no market for British mining equipment, machinery and material.

Such operations as are in progress are chiefly in the group of non-metalliferous minerals, such as borates, salt, gypsum, limestone and mica.

Petroleum.—Petroleum was first discovered in Argentina in the Comodoro Rivadavia district in 1907, and in 1913, in accordance with the recommendations of an *ad hoc* Government Commission, certain works were carried out in the Comodoro Riva-

davia field at a cost of £1,310,000, 12,500 acres of petroliferous zone being reserved to the exclusive use of the Government.

Considerable progress has been made and, as against 131,000 barrels produced in 1913, 1,730,000 barrels were produced in 1921 and 2,120,000 in 1922. Apart from this Government enterprise, most of the leading petroleum groups have of recent years begun operations, but their position is far from satisfactory, only two having entered the industrial stage.

The production of Argentine oil only meets a small part of the requirements of the country, and there are imports of crude oil, petrol, kerosene and lubricating oil.

Coal.—That the coal trade has been seriously affected by local production and imports of fuel oil is shown by the decrease in the importation of coal into Argentina from 4,000,000 metric tons per annum before the war to 2,220,109 metric tons in 1922, of which all but 86,313 tons was British.

2(d) Water Power.—A Government survey has been made of the waterfalls (which rival Niagara) of the Iguazu, a tributary of the river Alto Parana, on the Brazilian border, with a view to their utilisation for the generation of electric power. The falls are some 800 miles distant from Buenos Aires, and, although the scheme is stated to be technically feasible, the financial risk is so formidable as to exclude any immediate prospect of its execution.

2(e) Railways and Roads.—The Railway mileage open to traffic remains at 22,157, approximately the same as before the war. If, as appears probable, further railway construction by private capital is indefinitely suspended, as proving unremunerative under present conditions, an era of extensive railway construction by the State will be inaugurated. The principal feature of the new policy of State railway construction is, firstly, to secure communication with the Pacific seaboard and, secondly, to connect sections of the existing State system with the federal capital of Buenos Aires, which no State line enters at present. The length of the State lines in 1923 was 3,917 miles, compared with a mileage of 3,454 in 1913. The railways may be divided into three groups—State railways, British railways, and other private companies. Their relative scope and their traffic receipts are shown in the following table :—

Group.	Mileage in 1913.	Mileage in 1923. 30th June.	Traffic receipts 1913.	Traffic receipts 1923. Year ended 30th June.
			£	£
British Railways ...	13,075	15,457	23,348,317	38,466,400
State Railways	3,454	3,917	4,181,487	1,640,300
Other privately-owned railways	3,471	2,783		3,973,000
	20,000	22,157	27,529,804	44,366,400

With the development of mechanical transport, the absence of roads in Argentina is becoming a serious disadvantage. This condition of affairs is partly due to the lack of deposits of any suitable material for road-making except in remote districts of the Republic. The position is vividly portrayed by a comparison of the following figures of the road mileage of Canada and Argentina :—

	Land Area.	Road Mileage
Canada ...	3,603,910 sq. miles.	250,000 miles
Argentina ...	1,153,119 sq. miles.	10,000 miles.

In railway development, on the other hand, Argentina is not far behind the Dominion, the figures being :—

	Railway Mileage.
Canada	38,600 miles.
Argentina	21,000 miles.

Thus, the length of Argentina's railways is more than double that of her roads. The capital expenditure on roads in the Argentine amounts to only 3·5 per cent. of the sum invested in railways, whereas in the United States, Canada and New South Wales the expenditure on roads is some 30 or 40 per cent. of that on railways.

Congress is being urged by various interests to establish a Highways Commission and to allot ample funds for road building. Progress in road construction would not only contribute materially to the prosperity of the British railways in Argentina, but, by opening up new areas to trade, should increase the demand for foreign goods. The State railways to some extent replace roads in that they cover many districts, relatively remote, which have been neglected by private enterprise as unlikely to be profitable in the near future.

3. DOMESTIC MANUFACTURE.

In 1913 there were 48,779 establishments in the Republic employing 410,201 workers, and the proprietors, classified according to nationality, were :—

Foreign proprietors	31,483
Argentine ,, ...	15,763
Mixed ,, ...	1,533

No industrial census has been taken since 1914, and therefore no accurate statistical knowledge is available concerning the development of local industries as a consequence of the war. However, it may be said that the output of all classes of goods which can be produced with the existing plant is twice or three times that produced formerly, that varieties and qualities have shown remarkable improvements, and that the effects of renewed foreign competition after the war have been less severe than was feared.

Rapid progress has been made in the manufacture of the following articles : Leather goods, harness and saddlery, clothing, boots

and shoes, furniture, hats, glassware (all bottles for the beer and mineral water trades are now made in the country), provisions and beverages, electrical appliances, vegetable oils, soaps, perfumes, jute sacks and bags, cement. As a result of the increased cost of production in Great Britain, higher freights, and the tendency towards increased protection in Argentina, many varieties of British manufactured goods can only be imported on a much smaller scale.

Since British competition with locally made products is impossible in point of price, British exporters have to depend more and more on the high quality of their goods and the demand for special brands. The preference that the Argentine consumer still retains for imported and, more particularly, for British wares, is exploited by the custom of making up locally manufactured goods to pass as foreign, and well-known brands of British goods must, in addition to being intelligently advertised, be protected by trade mark registration.

4. EXTERNAL TRADE.

—	Imports.* (1,000 gold pesos.)	Exports.* (1,000 gold pesos.)	Balance. (1,000 gold pesos.)
1913	496,227	519,156	+ 22,929
1920	934,968	1,044,085	+ 109,117
1921	749,534	671,129	— 78,405
1922	689,645	676,008	— 13,637
1923	868,430	771,361	— 97,069

* Real values.

The above statistics show the position of Argentine external trade in 1920-23, compared with the position in 1913. During each year from 1913 to 1920 the Argentine had a favourable trade balance, but in the first half of the year 1920 conditions changed and adverse balances are recorded for 1921-23.

The Argentine is liable for invisible imports amounting, at a conservative estimate, to £40,000,000 a year, and she therefore requires an equivalent favourable balance on her foreign trade in order to attain equilibrium of exchange. These invisible imports are represented by the payments connected with the service of the foreign debt, dividends and interest on foreign capital invested in railways and commercial enterprise, interest on mortgages held abroad, and remittances home by the large number of Spanish, Italian and other residents.

In 1913 the volume of Argentine imports, excluding coal, was 6,084,000 metric tons, and, after the trade collapse of 1920, 3,470,000 metric tons; 3,995,000 metric tons were imported in 1921, 4,680,000 metric tons in 1922. Thus, the Argentine still imports less in quantity, although much more in present-day values, than in 1913. The population has increased in the meanwhile, and it can be anticipated with some confidence that the

demand for foreign goods will show rapid recovery if good seasons continue and a general improvement in the European situation leads to a reopening of the markets for Argentine produce.

5. COMPETITIVE SITUATION.

In 1913 Argentina's imports from her three principal sources of supply were in the following proportions :—

From United Kingdom	31·0	per cent.
,, Germany	16·9	,,
,, United States	14·7	,,

The opportunities created by the war resulted in a considerable expansion of American trade with Argentina. British exporters, however, have regained some of the ground lost, though our share of the import trade is still appreciably less than in 1913.

The principal competitor with the United Kingdom is the United States, but a good proportion of the trade of each country comprises goods in which the other cannot effectively compete at the present time, such as agricultural machinery, automobiles, petroleum products, lumber, binder twine, newsprint, cinematograph films, oil well supplies, exported by the United States; and woollens, worsted and many descriptions of cotton goods. exported by the United Kingdom. Other and more strictly competitive goods which were largely imported from the United States of America in 1922 were cotton cloth, unbleached, bleached and dyed, cotton hosiery, galvanised sheets, black steel sheets, tinplates, rails, wire, locomotives, goods wagons. The United States' exports to the Argentine of unbleached cotton and cotton hosiery in 1922 were almost exactly double those of 1921.

The increase of U.S.A. trade was not due to any special factor such as the granting of unlimited credits adopted by Germany before the war, or the depreciated currency trading of European competition since. Possibly the only American innovation is the policy of low original prices and compensatory profits on renewals and spares. Banks, steamship communication and branch houses, which did not exist in 1913, are evidence of the present solid foundations of the United States' position in the River Plate.

German goods were imported in 1921 to the value of $71,473,393 gold, and $92,711,108 in 1922. During 1922 Germany was regaining lost trade in Argentina in iron and steel products, but not in cotton and woollen textiles, which necessitate the use of imported raw material. As an example, it may be mentioned that during the first nine months of 1922 Germany sent to Argentina no less than 44,000 tons of steel rails. She also recovered lost ground in brass tubes and general brassware, in most classes of industrial machinery, and in paper, pianos and toys. German alkaline dyes have again found a market.

Other European countries with an appreciable share in the Argentine import trade are Italy, France, Spain and Belgium; but in each case the uncertain factor of depreciated exchange enters into consideration.

DISTRIBUTION OF IMPORT TRADE.

Country of origin.	Imports in millions of gold pesos.		Percentage of import trade.	
	1913.	1923.	1913.	1923.
			%	%
United Kingdom	154	207	31·0	23·8
U.S.A.	73	181	14·7	20·9
Germany	84	118	16·9	13·6
Italy	41	68	8·3	7·8
France	45	59	9·0	6·7
Belgium	26	45	5·2	5·2
Brazil	11	46	2·2	5·3
Mexico	2	15	0·3	1·8
Spain	15	30	2·9	3·5
Other countries	45	99	9·5	11·4
TOTAL	496	868	100·0	100·0

BRAZIL.

	1910	1920
Population	23,414,177	30,635,605

British Trade Returns.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Brazil	5,975	12,465	10,997
U.K. re-exports to Brazil	244	556	253
U.K. imports from Brazil	6,434	10,008	5,873

Brazilian Trade Returns. General Trade, including Bullion.	1904. (£1,000's.)	1913. (£1,000's.)	1923. (£1,000's.)
Total imports	25,915	67,166	50,543
Imports from United Kingdom ...	7,190	16,436	13,428
Percentage from United Kingdom	27·7%	24·5%	26·6%
Total exports	39,430	65,451	73,184
Exports to United Kingdom ...	6,375	8,623	5,121
Percentage to United Kingdom ...	16·2%	13·2%	7·0%

Currency.—The unit of currency is the milreis, equivalent, theoretically, to about 2*s.* 3*d.*..In 1910, however, the official rate of exchange was placed at 16*d.* per milreis. The present currency consists almost entirely of paper. The annual average rates of exchange during the past five years have been as follows :—

1920	14·779*d.*	1922	7·037*d.*
1921	8·260*d.*	1923	5·395*d.*
	1924	5·973*d.*	

1. GENERAL.

Local political disturbances in one or other of the various States of the Union, resulting in loss of life and property, are still not infrequent in Brazil. They are, however, generally of short duration and have little effect on the government or trade of the country as a whole. During 1923-24 there have been two such revolutionary outbreaks, one in the State of Rio Grande do Sul, and the other in the State of São Paulo. Although the former continued for a number of months, and much damage was done locally, armed Federal intervention was unnecessary. The revolution in the State of São Paulo, which only commenced in July last, was more serious, but, apart from minor sympathetic outbreaks in Northern Brazil, the rebellion did not spread beyond the State of São Paulo.

2. FINANCIAL.

The difficulties experienced in the past with regard to Brazil's finances (which are based on an inconvertible currency), are reflected in the violent fluctuations which have occurred in the exchange value of the milreis. The par rate of 27*d.* per milreis was fixed on the foundation of the Republic in 1889, but it fell steadily to 5$\frac{5}{8}$*d.* in 1898. For some years prior to the war, exchange was fairly stable between 15*d.* and 16*d.*, but it is now again in the neighbourhood of 6*d.*

The present weakness in exchange and extremely difficult financial situation of Brazil are due largely to the expenditure of large sums upon ambitious and non-productive public schemes, the Budget deficits incurred thereby being covered by new issues of unbacked paper currency, and by recourse to foreign loans. The country is, as a result, burdened with heavy financial obligations both at home and abroad. The latter obligations—including the services of the foreign debt, interest and profit on foreign capital invested in Brazil, private remittances and other invisible outgoings—are estimated at approximately 30 million pounds sterling. As these charges can only be met from the balance of exports over imports, it is evident that, if financial equilibrium is to be restored, the resources of the country must be developed with a view to increasing the favourable trade balance.

—	Imports. (£1,000.)	Exports. (£1,000.)	Balance.
1913	67,166	65,451	— 1,715
1921	60,468	58,587	— 1,881
1922	48,641	68,578	+ 19,937
1923	50,543	73,184	+ 22,641

The natural resources of the country are, however, enormous, and, if these are energetically exploited, there should be little difficulty in providing the necessary surplus. It is probably for this reason that the credit of the country has not suffered to the extent which might be expected in view of the critical state of the national finances. A mission of prominent British financiers recently visited Brazil, at the invitation of the Brazilian Government, to make recommendations in regard to the policy to be pursued for the purpose of restoring financial equilibrium.

3. ECONOMIC DEVELOPMENT.

The enormous area of Brazil, and the difficulties of transport by road, rail and river, are serious hindrances. Its population of 31 millions is also still very sparse for such a huge area, and the question of immigration is, therefore, important.

3(a) Railways.—The Montagu Mission state in their report that they are convinced that the development of Brazil is being retarded by the lack of railway transport, and that the production of crops, the mining of minerals, the distribution of the necessary population and the investment of capital, depend essentially and primarily on the provision of adequate railway facilities. They are satisfied that the provision of these facilities is the root of the whole future prosperity of Brazil, and, since only by development can Brazil meet and free itself from its foreign indebtedness, they regard the extension and improvement of railways as a matter the urgency of which cannot be overestimated.

Foreign capital is needed for this purpose, but, in view of the inadequate return obtained by such capital already invested in Brazilian railways, it appears doubtful whether further sums will be forthcoming unless the Brazilian Government are prepared to guarantee a fair profit. Large sums must be expended in the near future upon much needed repairs and renewals on existing lines.

3(b) Roads.—In spite of the great efforts which have been made during recent years, the roads, with the exception of those in one or two States, are extremely poor. Motor traffic is increasing year by year, but the market for motor vehicles is almost entirely in the hands of American manufacturers, and British cars or lorries are only occasionally seen.

3(c) Agriculture.—Brazil is essentially an agricultural country, and, as a variety of climates are to be found in its vast area, crops of almost any description can be successfully cultivated and live-stock of all kinds can be reared.

Until comparatively quite lately, Brazilian agriculture was practically limited to the cultivation of coffee, sugar cane, tobacco, cotton and rubber. More attention has recently been directed to a variety of other products, such as oleaginous nuts and seeds, carnauba wax, fibres, beans, rice, manioc, maize, etc. Coffee still remains the mainstay of Brazilian exportation; but the possibilities of cotton production are immense, and it is not unlikely that this commodity will, in the near future, prove an equal if not a greater source of wealth than coffee.

The pastoral industry is also capable of great expansion. The meat packing and sheep rearing industries are already of considerable importance.

3(d) Mineral Resources.—Minerals exist in large quantities, particularly iron and manganese ores, and there are considerable deposits of monazite sand, coal, gold, diamonds and semi-precious stones. The ore deposits in the State of Minas Geraes contain almost unlimited quantities of high-grade hæmatite iron ore, but the coal, which is found principally in the southern States, is of low grade.

3(e) Water Power.—Water power is readily available in abundance. At least 10 waterfalls in Brazil are estimated to be above 50,000 h.p. capacity, and the State of São Paulo alone has an estimated h.p. of nearly 3,000,000, of which slightly under 100,000 is utilised. The motive power of the majority of the textile and other mills is electric, and even small villages are lit by electricity.

4. INDUSTRIAL POLICY.

Brazil is a highly protectionist country. Generally speaking, the result of this policy has been to draw the population to the towns and to raise the cost of living. Thanks to the low rate of exchange, manufacturing industries are in a flourishing condition, but it is doubtful how far some of them will be able to make headway against imported articles when exchange rises and when the world's manufacturing and transport conditions gradually become normal.

The total annual value of production of Brazilian industries is estimated at more than 1,800,000 contos (£45 million at exchange of 6*d.*), of which the textile industry, the most important, accounts for approximately one-half. Boots and shoes, hats, malt and other beverages, soap, candles, tobacco, paper and furniture are among other well established industries. It is stated that, where imported articles compete with similar locally produced articles, the proportion which the former supply is only 11 per cent. Competition by British manufacturers with local production in

certain classes of goods in which a good trade previously existed is now practically confined to the higher grade qualities only.

5. EXTERNAL TRADE DEVELOPMENT.

Although Brazil's export trade has increased both in volume and value as compared with pre-war years, the increase has not been so large or so rapid as might have been expected from a country with such vast resources.

These resources are primarily agricultural, pastoral and mineral, and they have suffered at the expense of industry, which, on account of the higher return to be obtained therefrom, and the protection afforded by the Government, has attracted both capital and labour. The lack of facilities for the transport of produce, etc., from the interior to ports of shipment, and the absence of proper grading and classifying of products for export, have also been important factors in retarding the growth of the external trade of the country.

In spite of the number and variety of the products which Brazil can and does produce, coffee, as has previously been stated, still remains the mainstay of the country, and 64·3 per cent. of the value of her total exports during 1923 was accounted for by this commodity. The Brazilian Government have been obliged, therefore, to ensure a remunerative price for coffee growers and dealers by artificial means. This policy has tended to restrict the expansion of other agricultural resources which do not enjoy the same measure of security.

With the assistance of foreign capital, which is as necessary in Brazil to-day as it ever was, the export trade is capable of considerable development, but, meanwhile, the coffee crop and the prices obtained for that commodity are to a certain extent an indication of the purchasing capacity of the country.

6. COMMERCIAL POLICY.

Practically any new industrial undertaking in Brazil is assured of some measure of Government support, in the form either of protective customs duties, or of exemption from existing duties on plant and materials required for the establishment of the undertaking.

As regards mineral resources, the policy of the Brazilian Government is indicated in a reluctance to give any concessions for the exportation of iron ore, of which huge quantities are available in the State of Minas Geraes, unless the concessionnaire is prepared at the same time to establish a plant of a certain capacity for the production of steel within the country.

With the exception of fresh fruit of Argentine and American origin, no customs preferences are at present granted by Brazil. A decree of October, 1923, regulates the application of maximum tariff duties to goods imported into Brazil. This decree provided that the maximum tariff (which is double the minimum tariff)

was to be applied as from the 1st January, 1924, to goods coming from countries which have two or more differential tariff scales and do not apply their minimum scale to Brazilian products.

As the maximum tariff has not so far been applied to goods from any foreign country, the United Kingdom is at present on an equality with her competitors.

7. FOREIGN COMPETITION.

On account of increased local production and low exchange, the import trade of Brazil has fallen off considerably as compared with pre-war years. Great Britain has, however, retained and even slightly increased her proportionate share of the diminished trade, and has regained the position of principal supplier which she lost to the United States during the war.

The following figures, based on official sterling values, show the percentages of Brazil's total importation furnished by her principal suppliers :—

——	1913.	1922.	1923.
	%	%	%
Great Britain	24·5	25·8	26·6
Rest of British Empire ...	2·5	2·4	3·1
United States	15·7	22·8	22·2
Germany	17·5	8·9	10·4
Argentina	7·4	13·8	12·3
France	9·8	5·9	6·4
Italy	3·8	3·9	3·9
Belgium	5·1	3·2	3·7
Portugal	4·4	2·4	2·1

Germany is rapidly increasing her tonnage of exportation to Brazil and is once again assuming the position she held prior to the war as the most serious competitor of Great Britain. She has regained her place as the principal supplier of aniline dyes, which are of growing importance in view of the development of the local textile industry, and is again a serious competitor in machinery and certain metal goods, chemical products and photographic apparatus.

Great Britain still leads the way in textiles, textile machinery, prepared paints, linseed oil, coal, tinplate, leather belting and certain industrial chemicals such as caustic soda and potash. In textiles, particularly in cotton piece goods, etc., the local industry has made such progress that, at the present low rate of exchange, importation is restricted to the finer qualities only. The market for imported footwear has been almost entirely closed owing to local production. Among goods supplied principally by the United States, in which an increased share of the trade might be obtained by the United Kingdom, may be mentioned automobiles and accessories, electrical plant and apparatus, locomotives and lubricating oils. Belgium holds the market for steel rails, railway cars and wagons, white zinc paints and window glass, and is a

serious competitor in certain iron and steel goods, tinplates and cement. Severe competition in the last mentioned commodity has also to be met from Denmark, Germany and the United States.

Although the United Kingdom has so far held her own in the Brazilian trade, local production and the depreciation of the currencies of certain Continental countries have made competition difficult. The quotation of freight rates from the Continent by certain shipping companies below the standard rates observed by British lines also favoured Continental exporters, but this difficulty is now less serious.

CHILE.

	1907	1920
Population (census) ...	3,249,279	3,753,799

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Chile	3,225	6,011	6,606
U.K. re-exports to Chile	271	359	305
U.K. imports from Chile	5,127	5,359	5,741

Chilean Trade Returns. Special Trade, including Bullion and Specie.	1904. (1,000 pesos of 18*d.*)	1913. (1,000 pesos of 18*d.*)	1922. (1,000 pesos of 18*d.*)
Total imports*	157,152	329,518	237,182
Imports from United Kingdom*	57,345	98,929	57,020
Percentage from United Kingdom ...	36·5%	30·0%	24·0%
Total exports†	215,998	391,237	331,610
Exports to United Kingdom†	70,547	152,187	39,028
Percentage to United Kingdom ...	32·7%	38·9%	11·8%

* Official values in 1904 and 1913. Invoice values in 1922.
† Market values—national produce only.

Currency.—The unit of currency is the peso. The par rate of exchange is 13·33 pesos = £1. The annual average rates of exchange during the past five years have been as follows :—

1920	19·825	1922	36·739
1921	23·168	1923	37·056
	1924	41·297	

1. GENERAL.

Political changes of considerable importance are taking place, but they do not seem as yet to have had any ill effect on trade or to have brought any marked alteration in commercial policy.

2. FINANCE.

In tracing the history of Chilean public finance, it will suffice to commence at the beginning of 1912, when annual deficits had accumulated to more than $98,000,000 paper pesos. Steps were taken to eliminate the floating debt and, in general, to put in order all the fiscal accounts, the various measures including increases in the import duties and the utilisation of funds available primarily for other purposes. These operations brought in an extraordinary revenue of $75,000,000 paper pesos, and 1913 began on a sounder basis. The following period was marked chiefly by the crisis brought about by the war, and, although in the next two years Government expenses were reduced, income declined still more, until, by the end of 1915, a considerable deficit had again accumulated.

In 1916 vigorous measures were taken to correct this condition, and the floating obligations were funded into an internal loan of $30,000,000 paper pesos.

During 1917 and 1918 war prosperity was at its height, and by this time the country found itself in a favourable fiscal position. The drop in the demand for nitrate, however, resulted in deficits in 1919 and 1920, and recourse was had to a short term internal loan of $30,000,000 paper pesos towards the end of the latter year.

In 1921, 44,000,000 dollars were borrowed from the United States of America, of which 28,000,000 were obtained by the State Railways and were not utilised for fiscal purposes. Two internal loans of $50,000,000 pesos and $74,000,000 pesos were also raised.

A loan of £1,657,500 was placed in London in February, 1922, at 7½ per cent. at £95, and in November, 1922, a loan of $18,000,000 dollars was contracted through the National City Bank of New York.

The deficit at the end of 1922 was estimated at 107,500,000 paper pesos.

Public Debt.—The total external debt of Chile at the end of 1922 was £27,847,352 and $33,141,694 United States of America gold dollars.

The total internal debt on 31st December, 1922, amounted to $250,841,691 paper pesos plus 154,714,000 gold pesos.

3. ECONOMIC DEVELOPMENT.

3(a) Mining.—The chief industry of Chile is mining, the country supplying nearly all the world's consumption of natural nitrate of soda and ranking second amongst the copper-producing countries of the world. The prosperity of Chile, for the immediate future at any rate, seems to be entirely bound up with that of the nitrate industry, which alone constitutes the greater part of the export trade, and contributes a very considerable part of the total revenue of the State in the form of export taxes.

Coal.—There are important deposits of coal and iron ore, an average of 1,000,000 metric tons of coal, which is sufficient to meet more than half of the local consumption, being extracted annually in the provinces of Concepcion and Arauco. The imports of British and American coal are declining, but this is due more to the increasing use of petroleum and hydro-electric power than to growing competition from the Chilean mines.

Nitrate.—Nitrate production in 1922 was 1,071,041 metric tons, compared to the pre-war (1913) production of 2,772,254 metric tons. The fall was due to the closing down of many of the poorer fields on account of the decreased demand from Europe. However, the prospects of the industry's soon returning to its normal level seem favourable. Consumption in the United States of America has increased considerably, and Germany is re-appearing as a consumer.

3(b) Agricultural and Pastoral Industry.—Until comparatively recently Chile has been regarded as exclusively a mining country, but the acute crisis of 1921, bringing with it a realisation that nitrate is not an absolutely essential commodity, exerted a strong influence on the economic policy of the Government, which is now clearly directed towards the development of agriculture and the manufacturing industries.

Owing to the extreme cold of the southern districts, the absence of rain in the northern desert provinces, and the large proportion of mountainous country, only one-sixth of the total area of the Republic is suitable for cultivation. Nevertheless, Chile produces practically all her requirements in foodstuffs, and is even able to export produce of different kinds. Most cereals are raised, and some, especially wheat and barley, give a surplus for export.

Fruit-growing is receiving great attention; most temperate zone fruits are being grown with success, and experiments, not without success, have been made in the exportation of fresh fruit for the New York market.

3(c) Water Power.—A power plant to utilise waterfalls within 30 miles from Santiago has been erected, and stations are being constructed to distribute the power over a wide area round that city.

3(d) Railways.—The Chilean railways are composed of—

	Miles.
State railways	2,887
British railways	1,658
Private railways	502
	5,047

The State line runs down the centre of the country north to south, with branches to the coast. The total cost up to the end

of 1920 was £30,000,000. No dividend has ever been received by the State, and in 1920 there was a deficit of £1,500,000, the increased cost of fuel of late years having been a contributory cause. The line between Valparaiso and Santiago and Los Andes is now being electrified, the contract, amounting to $7,000,000 United States gold dollars having been given to an American concern.

Antofagasta and Bolivia Railway.—This British-owned railway, which links up Bolivia with the Chilean coast at Antofagasta, has taken over the Chilean Northern Railways line from Pintados to Pueblo Hundido. The whole of the nitrate from the Antofagasta pampas, the borax, copper and practically all the tin and mineral ores from Bolivia are handled on this line.

Chilean Transandine Railway.—In May, 1921, a contract was signed between the Chilean Government and the Transandine Company authorising the unification of the administration of the Chilean and Argentine sections of the line. A corresponding contract had been signed with the Argentine Government in 1919. It is confidently expected that the unification of the two railways will result in greatly increased commercial intercourse between Argentina and Chile. With cheaper freights trade would be doubled or trebled immediately.

Railway construction.—A large amount of railway construction is now being carried out, and more is contemplated both by the State and by private enterprise. The most important of the projected schemes are the Lebu-los Sances and the Valparaiso to Santiago line through Casablanca.

The scheme of connecting up Chile and Argentina by means of two additional railways, in the south through Lonquimay and in the north at Salta, has not yet been approved. The former would be of great advantage to Chile, as the Biobio valley, which it would tap, would gain an additional market in Argentina for its many resources. The Salta railway presents many engineering difficulties, including the piercing of the Andes at a height of 14,000 feet at the Huaytiquina Pass.

3(e) Roads.—Insufficient attention and money have been devoted in the past to the important question of roads, and most of the improvements that have taken place in recent years are due chiefly to private enterprise. According to the last available Government statistics, there were 35,362 kms. of roadway throughout the country, divided into 21,056 kms. of first-class roads, and 14,306 kms. of second-class roads, at the end of 1922.

A very useful Chilean law is one which guarantees the construction of any roads on payment by the interested parties of one-third of the cost thereof, the Government being obliged to pay the other two-thirds. Very great advantage of this law has been taken by American mining concerns operating in Northern Chile.

4. INDUSTRIAL POLICY.

There is no insuperable reason why Chile should not in time provide a considerable part of her essential requirements in manufactured goods. Beside coal and iron, Chile is richly endowed with minerals, while the range of climate provides an exceptional variety of vegetation.

The policy of the Government and the people is protection for national industries and capital. Local manufactures have progressed rapidly under the protection afforded by the introduction of a series of tariffs, each surpassing its predecessor in severity.

Even before the 1907 tariff, which was superseded by the higher tariff of 1916, the duties on certain lines of manufactured goods had already approached the prohibitive, but the length to which the Chilean Government is prepared to carry the taxation of imports in furtherance of the country's industrial development is best demonstrated by the revised customs tariff which came into force in February 1921. Under this tariff the duties were increased 50 per cent., with the exception of certain articles such as foodstuffs, industrial and transport machinery and supplies, which cannot be produced in the country. Especially heavy duties were provided for alcoholic liquors (an increase of 200 per cent.), perfumery and other articles of luxury which can be manufactured to advantage locally.

Pressure has been brought to bear on the Government by the leading societies devoted to the economic development of Chile (such as the Society of Factory Development, the National Society of Mining, the National Society of Agriculture) with the object of inducing the Government to raise the tariffs in order to help specific industries. As the import duties prove a fruitful source of revenue, as well as promoting domestic manufactures, and as a strong national sense is now prevalent in Chile, there would seem to be a strong possibility that a still greater degree of protection may be granted in the future.

Thus the market in Chile for many classes of British manufactured goods must tend to diminish, as indeed in many cases it has diminished since the pre-war period. Some compensation may be looked for in the greater demand for raw, semi-raw and manufactured products which will come with industrial growth.

The value of the total imports of Chile in 1922 was, pesos 237,181,578, compared with pesos 329,517,811 in 1913, a decrease of pesos 92,336,233, or much more, if allowance is made for an adjustment of values. This decrease is due in no small measure to Chile's growing industrial independence, her output of manufactured goods being approximately five times what it was before the war.

In almost every branch of industry attempts are being made, usually with success, to produce in the country goods that have hitherto been imported, and the decrease in imports in various commodities due to the substitution of foreign by Chilean goods may be illustrated by the following examples

Cement.—Cement is now being produced locally, and with the raw material at hand and probable cheapening of fuel through the use of hydro-electric power, its import may well be substituted by domestic production. The Government has made the use of Chilean-made cement obligatory in all public works.

Imports of cement in 1913: 147,113 metric tons, value 5,884,523 pesos..

Imports of cement in 1922: 34,162 metric tons, value 1,716,657 pesos.

As before the war, the principal import of cement is from Germany and the United Kingdom, but recently Denmark also has appeared as a supplier.

Wire nails.—The import of wire nails, the value of which amounted before the war to 211,000 pesos (the trade being shared by Germany, the United States of America, Belgium and the United Kingdom), has now entirely ceased, owing to domestic manufacture.

Enamelled and aluminium ware.—Aluminium ware of every description is now manufactured in Chile; but, owing to the depreciation of the mark, a large quantity of these goods were imported from Germany in 1922, which were able to compete in price with the local article.

Drugs, perfumes, toilet and pharmaceutical preparations.—Owing to heavy taxation of the imported article, these preparations are being produced in the country with satisfactory results, and the import thereof has practically ceased

Cigars and cigarettes.—The tobacco tax in the tariff of 1921 referred to above has resulted in the almost complete cessation of imports of cigars and cigarettes.

	1913.	1922.
	Kgs.	Kgs.
Import of cigars	30,673 ...	968
Import of cigarettes	52,291 ...	2,178

Beer and mineral waters.—The local industry has expanded, and is now supplying the entire demand (but there is a small import of special brands). Before the war the beer trade was divided equally between the United Kingdom and Germany.

	1913.	1922.
Imports of beer (bottles)	165,992 ...	2,095
Imports of mineral waters (Kgs.)...	2,969,060 ...	40,119

Boot and shoe industry.—There are about 200 factories in Chile, with a total annual production of several million pairs of boots and shoes. With the increasing tariffs on the imported article, the use of foreign boots will be restricted to the wealthy. The imports have dwindled from 797,235 pesos in 1913 to 43,965 in 1922.

Matches.—The demand for matches can now be met entirely by the domestic output. The value of imported matches in 1913 was 177,923 pesos, of which 79 per cent. came from Germany and 13 per cent. from Sweden, whilst in 1922 matches to the value of only 2,163 pesos were imported.

Glassware.—Every description of glassware, except cut-glass, is now being produced in Chile, and exports, principally of bottles, have even been made to neighbouring republics. The import of bottles, which, in 1913, amounted to 1,524,900 pesos, and of which 97 per cent. was supplied by Germany, had fallen to 14,430 pesos in 1922.

Amongst other articles which are now being produced on a large scale in Chile may be mentioned leather goods, cutlery, cloth, ready-made clothing, straw and felt hats, furniture, condensed milk, biscuits, confectionery, soaps, candles, bedsteads, earthenware, railway material.

5. EXTERNAL TRADE.

Whilst the volume of Chilean trade has not yet completely resumed its pre-war proportions, when due allowance is made for the enhanced values, the country's excess of exports has been materially increased, viz. :—

Year.	Exports in millions of pesos fuertes.* (*a*)	Imports in millions of pesos fuertes *	Excess of exports.
1913	409	330	79
1922	352	237	115
1923	537	329	208

(*a*) Including nationalised products and ship's stores in 1913 and 1922.
* Pesos of 18*d*.

During the war Chile maintained an excess of exports. In 1919, however, imports were 100,000,000 pesos above exports.

The marked improvement in 1923 is due to greatly increased shipments of nitrate and copper. The low totals for 1922 must be attributed to world conditions, such as the lower purchasing power of many of the countries trading with Chile.

Export trade.—In considering the export trade of Chile, prominence must be given to nitrate of soda, which is the principal export item, providing, normally, 75 per cent. of the State revenue, and on the sales of which the exchange, and ultimately the very prosperity of the country, are dependent. The total shipments of nitrate in 1922, compared to 1913, were :—

	Metric Tons.	Value in Sterling.
1913	2,666,001	£22,901,589
1922	1,252,050	12,858,373
1923	1,849,755	18,699,164
Half-year.		
1924	1,145,737	12,227,955

The diminution of consumption is due to the closing of the German market during the war, and the decreased demand from Europe and Egypt, where, in 1913, approximately 1,880,000 metric tons were consumed. During the war large quantities of nitrate were used by the Allies for the manufacture of explosives, and the normal consumption for agricultural purposes has not yet been able to compensate for the loss of this temporary market. On the other hand, the United States of America imported considerably more than in 1913, and an increasing demand is expected from the southern cotton-growing regions. It has been found that a double advantage is to be derived from the use of nitrate, in that not only is the yield of cotton increased but the crop ripens earlier, thus preventing the boll weevil from getting a grip as it is liable to do in the case of a late and feeble crop.

In 1922, at the instigation of the German agricultural societies, the German Government ended the state of virtual prohibition that existed, with the result that Germany, who is unable to fill her requirements for fertilisers by the production of synthetic nitrogen products, will appear as a large consumer when her internal financial conditions allow.

Thus there is every indication of a steady improvement of the exports of Chilean nitrate, which will inevitably bring in its wake an improvement in Chilean exchange and an increase in the purchasing power of the nation.

Chilean exports, as before the war, go mainly to the United Kingdom, United States of America and Germany, although the proportion consumed by these countries has been materially altered :—

CHILE'S EXPORTS.

[National produce only.]

Year.	United Kingdom. Percentage share.	United States. Percentage share.	Germany. Percentage share.
1913	39 %	21 %	22 %
1922	12 %	36 %	7 %

In addition to nitrate of soda, Chile exports copper, borax, meat, wool, iron ore, barley, oats and wheat.

The following table, giving the value of exports of various items in 1922 compared with 1913, shows marked decreases in most commodities. Exceptionally, the shipment of copper has increased over 200 per cent. since the pre-war period, in response to the important investments of American capital, and the treatment of low grade ore. The United States of America takes practically the entire copper output, and the United Kingdom that of frozen meat. Other articles are distributed amongst many countries, Chile having gained and held fresh markets for her products, especially in the neighbouring Republics.

Commodity.	Value in millions of pesos fuertes. 1913.	Value in millions of pesos fuertes. 1922.	Decrease or increase.
Nitrate... ...	305·4	171·4	—134
Copper... ...	28·3	96·0	67·7
Borate of lime	5·9	5·1	—·8
Wool	9·3	5·9	—3·4
Meat	5·4	6·5	1·1
Barley	·8	4·6	3·8
Oats	3·5	1·3	—2·2

6. COMPETITIVE SITUATION.

The latest official statistics are for the year ending 31st December, 1922, when the total imports were valued at $237,000,000 pesos fuertes compared with $330,000,000 pesos fuertes in 1913. The principal factors responsible for this decrease, which have already been explained elsewhere in this memorandum, are :—

(*a*) The slump in the nitrate industry in 1921, with its attendant depreciation of Chilean currency causing commercial instability and restriction of foreign purchases.

(*b*) Lower demand for many classes of manufactured goods as a consequence of domestic industrial development. Later information shows that 1923 was a favourable year for Chilean trade, and, although official statistics have not yet been published, it has been ascertained that the total imports for this year were 329,000,000 pesos fuertes (the same as in 1913) or an increase of 39 per cent. on 1922.

The division of the import trade by countries, showing the position in 1922 compared with 1913, is appended :—

Country.	Value in millions of pesos.		Percentage of total trade.	
	1913.	1922.	1913.	1922.
United Kingdom	98·9	57·0	30	24·0
Germany	81	33·1	24·5	14.0
United States of America ...	55	63·5	16·7	26·8
France	18	11·9	5·5	5·0
Belgium	15·5	7·6	4·7	3·2
Peru	13·2	19·5	4·0	8·2

United States competition.—The United States now occupies first place in the list of countries exporting to Chile. The opening of the Panama Canal, with lower freights and more rapid communications, could not fail to act beneficially on the trade relations between the two countries. The large increase of America's

trade with Chile which resulted reached a maximum of 48 per cent. of all Chilean imports in 1919, and left her in a very strong position to compete with other countries under post-war conditions.

It has been stated that American commerce is handicapped by Chilean national sentiment; but, whatever the natural trading inclinations of the Chilean people may be, the tendency is towards closer trade relations with the United States of America because of her proximity, her interest in the Chilean copper mining industry, and her widespread advertising and excellent distributive organisation.

The largest items in shipments from the United States are cotton cloth, petroleum, and electric locomotives. American coal shipments have decreased from 11,513,000 pesos in 1921 to 2,225,000 pesos in 1922 and to 145,000 pesos in 1923, mainly owing to the increased use of petroleum on the railways.

German competition.—Before the war Germany occupied the second place among countries exporting to Chile. During the war, of course, Germany's trade with Chile ceased entirely, but she was able to re-enter the market in 1920 with exports to the value of $21,000,000 pesos fuertes, rising to 33,000,000 in 1921 and 33,100,000 in 1922. It is significant that, whereas Germany's export trade to Chile in 1921 showed an increase of 57 per cent. on the previous year, and, according to unofficial reports; a further advance of 33·3 per cent. in 1923, both the United States of America and the United Kingdom show continuous decreases for 1921 and 1922, consequent on the trade depression of 1921.

Principal Articles of Import.

Textiles.—The largest proportion of imported textiles is still supplied by the United Kingdom, but the United States of America is now the next largest supplier, with 20 per cent. of the total import trade in textiles, whereas before the war America's share amounted to about 3 per cent. The bulk of the United States textile shipments consists of cotton cloth, principally grey sheeting and grey drills.

Japanese shipments of cotton goods have decreased since the war, but, on the other hand, Belgium, Holland, Italy and Spain have been in the market in light cotton goods. Osnaburgs, which are chiefly used for making flour bags, are imported solely from the United States of America.

Sacks for the nitrate and mining industries are supplied by India as before the war, and there is little effective competition from other sources.

Transportation material.—The bulk of the trade in locomotives, railway material, automobiles, is in American hands, and rails have been imported chiefly from Germany.

Coal.—Coal is now furnished in equal proportions by the United States of America and United Kingdom, whereas in 1913 United Kingdom supplied 61 per cent. of Chile's coal imports.

Agricultural machinery.—America occupies the first place in the supply of agricultural machinery, the imports of which tend to decrease, due to the rising domestic industry.

Dyes, industrial machinery and cheap hardware are being imported in increasing proportions from Germany.

The following table shows the position of the staple imports of Chile in 1922 compared to 1913, and the share obtained by the United Kingdom in each trade group :—

Commodity.	Principal articles of import to Chile.	
	Value in millions of pesos fuertes. 1913.	Value in millions of pesos fuertes. 1922.
Coal and Coke	31·7	5·2
Petroleum	12·1	8·0
Textiles...	76·8	65·7
Iron and steel group, including machinery and traction material	84·4	64·2

Commodity.	1913. Percentage of trade held by				1922. Percentage of trade held by			
	U.K.	U.S.A.	Germany.	Other countries.	U.K.	U.S.A.	Germany.	Other countries.
Coal	59%	6%	4%	Australia, 29%	41%	46%	4%	Australia, 6%
Petroleum ...	—	79%	—	Peru, 21%	—	21%	—	Mexico, 64% Peru, 15%
Textiles ...	42%	3%	25%	India, 10% France, 9%	44%	21%	10%	France, 9% India, 4% Italy, 4% Belgium, 3%
Iron and Steel group, including machinery and traction material.	*30%	13%	32%	—	25%	41%	20%	Belgium, 6%

* These percentages can only be given approximately, owing to the regrouping of Chilean import statistics due to tariff changes.

7. NOTE ON THE CHILEAN MARKET.

The Chilean market is largely governed by the question of price. The general standard of living is lower than that of the neighbouring republic of Argentina; the market is therefore responsive to efforts on the part of Germany to increase exports of low priced merchandise. The existence in Chile of an important merchant class of German extraction contributes to success.

British exporters will find difficulty in retaining their share of the trade unless they can meet the special requirements of the market, especially in this matter of price, and improve their system of representation and advertising. The position cannot be said to be as favourable now as it was in 1913, yet, in spite of the opening of the Panama Canal, the collapse of the European exchanges and other adverse circumstances, British trade has withstood intense foreign competition with a considerable measure of success.

CUBA.

	1899	1907	1922
Population	1,572,797	2,048,980	3,123,040

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
United Kingdom exports to Cuba	1,829	2,214	2,932
United Kingdom re-exports to Cuba ...	697	786	124
United Kingdom imports from Cuba ...	1,326	3,675	8,748

Cuban Trade Returns. (General Trade, including Specie.)	1903–04. (1,000 dollars.)	1912–13. (1,000 dollars.)	1922–23. (1,000 dollars.)
Total imports...	74,492	135,811	228,452
Imports from United Kingdom	12,497	17,412	11,220
Percentage from United Kingdom ...	16·8%	11·9%	4·9%
Total exports	94,399	165,208	432,046*
Exports to United Kingdom	5,885	15,663	41,106*
Percentage to United Kingdom ...	6·2%	9·5%	8·8%

* Special exports in this year.

Currency.—Cuba possesses its own currency, which circulates throughout the Island on a par with United States money (1 peso=1 dollar).

Exchange on London follows the movements of the dollar, sterling rate. The average rate for the dollar in 1923 was $4·574=£1.

1. GENERAL AND FINANCIAL.

The ties—economic, political and geographical—existing between Cuba and the United States of America, the recipro-

city treaty between the two countries, the similar coinage, the large amount of American capital invested in the island, and the Platt Amendment providing for American intervention in case of necessity, naturally result in other countries being placed at a disadvantage in their commercial relations with Cuba.

Under the administration of President Zayas the financial condition of the country has undoubtedly improved : her war loan has been liquidated and her budget balanced. The fiscal year 1922-23, the last for which figures are at present available, closed with a surplus of income over expenditure of approximately 12 million dollars, the chief item of revenue being the customs receipts. The bulk of this surplus was applied to the reduction of the public debt. This, in December, 1923, amounted to approximately 115 million dollars (or about 38 dollars per capita), of which 94 million dollars represented foreign loans and 21 million dollars internal indebtedness. Although heavy, this indebtedness should give little cause for anxiety, in view of the richness of the country.

There is in addition a floating debt, consisting of " claims " against the Government, which is in process of examination and settlement by a Commission appointed for the purpose.

2. ECONOMIC DEVELOPMENT.

2(a) Agriculture.—The wealth of Cuba depends entirely on sugar, of which she produces annually approximately 4 million tons, or about 25 per cent. of the world's supply. Of the 192 mills in existence, only three are British owned, as against 91 Cuban owned and 66 American owned.

The interest of the United States in Cuba is shown by the fact that something over 1,000 million dollars of American capital is invested in the sugar industry alone, the proportion in terms of sugar production of mills being estimated at between 70 and 77 per cent. Since, however, the sugar plantations, as distinct from the mills, are largely owned by Cubans, who spend a considerable portion of their income in the island, the prices obtained for sugar, which directly affect the remuneration received by the planters, have a most important relation to the purchasing power of the island.

Sugar is unfortunately one of those staple articles in which there is much speculation in futures; and there is at all times, in consequence, fluctuation in prices which seriously affects the economic life of the country.

The increase in the production of sugar in Cuba may be shown by the following figures :—

Year.	Tons.
1911	1,467,000
1912	1,882,000
1913	2,405,000
1921	3,910,000
1922	3,982,000
1923	3,590,000

After sugar, the principal agricultural resources of Cuba are tobacco, cattle breeding, alcohol, henequen, citrus fruit, timber and coffee.

The tobacco industry is flourishing. The production of alcohol and henequen are capable of expansion and are likely to prove of importance as additional sources of income. The prospects of the cattle industry are also excellent, and there are large tracts of virgin forest land containing valuable timber as yet untouched owing to lack of transport facilities.

The cultivation of coffee, formerly a valuable Cuban industry, has been steadily decreasing for a number of years, owing, it is said, to a lack of Government support. The production of citrus fruit has also declined.

2(b) Mining.—The mineral wealth of the island that is being worked consists of copper, iron ore, silver, manganese, asphalt and petroleum.

Seepages of oil and liquid asphalt, and veins and deposits of solid asphalt capable of exploitation, are found throughout the whole island. The best known and most developed of the solid asphalt mines is owned and operated by a British company, but difficulties of transport and finance, together with other factors, have tended to retard the work.

Although petroleum has been obtained at several points in Cuba, drilling for oil has not, up to the present, met with any great success. Signs of oil over an area of 8,000 square miles have been reported, and a large American company who have commenced drilling are hopeful of success. Efforts are being made to interest further American capital in Cuban mineral resources.

The following figures are an indication of the economic progress and purchasing capacity of Cuba during recent years :—

Year.	Population. (Thousands.)	Exports. Special Trade.		Imports. General Trade.	
		Value. (1,000$.)	Per capita. ($.)	Value. (1,000$.)	Per capita. ($.)
1912-13 ...	2,327	164,720	71	132,289	57
1913-14 ...	2,426	169,505	70	131,821	54
1919-20 ...	2,889	855,138	296	434,189	150
1920-21 ...	2,909	395,915	136	570,930	196
1921-22 ...	3,029	283,723	94	182,396	60
1922-23 ...	3,123	428,385	137	226,119	72

2(c) Railways.—There are about 3,600 miles of railway in Cuba, of which 1,210 miles are operated by the United Railway of Havana, a British company with an issued capital of nearly £22,000,000, and 663 miles by The Cuban Railroad Company, an American concern.

Under the " Tarafa Bill," provision is made for the formation of a National Company to acquire the whole or the majority of the shares of the Railway companies, in order to consolidate them and improve the transport system. The measure also provides for the abolition of private or sub-ports through which large quantities of sugar are exported, and for the prevention of the construction of new oil tanks at ports without the sanction of the new railway company.

2(d) Roads.—About 1,500 miles of roads exist in Cuba. Many of these are in a bad state of repair, and the Government have allotted considerably larger sums than heretofore for their improvement.

3. INDUSTRIAL POLICY.

Apart from sugar, tobacco and alcohol, which have been referred to under agricultural resources, the industries of Cuba are not of great importance. Local manufactures consist principally of paper, soaps and perfumes, cement, beer, furniture, and ropes and twines. With the exception of furniture, the production is insufficient to meet the requirements of the home market, and foreign goods are able to compete and secure a share of these trades.

The revised tariff under consideration will probably provide a measure of protection for the cement industry, but, generally speaking, no industrial policy exists in Cuba.

4. FOREIGN TRADE AND COMMERCIAL POLICY.

The total foreign trade in Cuba, exclusive of money, during the fiscal year ended June 30th, 1923, amounted to 654 million dollars, or about 200 dollars per head of population. Imports and exports amounted respectively to 226 and 428 million dollars, the balance of trade in favour of exports being 202 million dollars, an increase of nearly 60 million dollars over the previous year.

4(a) Exports.—As previously stated, sugar is the principal source of Cuba's wealth, and about 90 per cent. by value of the country's exports regularly consists of that commodity.

Although the United Kingdom buys appreciable quantities of both sugar and tobacco from Cuba, her purchases only accounted in the fiscal year referred to above for 9 per cent. of Cuba's total export trade, as compared with 86 per cent. taken by the U.S.A.

4(b) Imports.—In the import trade the position of the United Kingdom is still less satisfactory, only 5 per cent. in value of Cuba's imports being furnished by the United Kingdom, as compared with 67 per cent. by the U.S.A.

The absence of recent detailed statistics renders it difficult to state precisely the loss or gain of the United Kingdom in specific trades, or to indicate exactly the sources of competition. The United States compete in all goods, except, perhaps, in the

finer textiles, in which the United Kingdom holds its own. Spain, a close third in order of Cuba's suppliers, competes in natural produce, soaps, etc., and to some extent in boots and shoes and in leather and leather goods. France competes in textiles, silks, perfumes and cosmetics, especially high-grade toilet soaps; and Germany in iron and steel, hardware, hollowware, china, earthenware, etc.

In automobiles, tractors, and sugar-mill machinery the United States predominate; but the United Kingdom retains some share of the last trade, and is successfully competing in the paper trade.

In spite of tariff discriminations and geographical disadvantages—and it must be remembered that Havana is only 56 hours from New York by train ferry *via* Key West—British trade is making headway. It is feared, however, that should the new tariff, which has for some time been under consideration by the Executive Government, be brought into force the possibilities of Cuba as a market for British goods would be severely curtailed.

4(c) Tariff Policy.—The principal object of the new tariff proposals is to obtain the means of negotiating tariff conventions with foreign countries, particularly for the purpose of securing favourable treatment for Cuban cigars and leaf tobacco. The proposals would act detrimentally to the United Kingdom, but would not in any way affect the degree of preference enjoyed by American products under the Cuban-American reciprocity treaty of 1903, which grants reductions varying from 20 to 40 per cent. of the duties on merchandise from the United States, as compared with the duties leviable on merchandise from any other country. The principal items of British trade which would suffer, should the proposed tariff come into force, would be textiles, provisions, soaps, etc.

4(d) Parcel Post Conventions.—Negotiations are being carried on with a view to the conclusion of a parcel post convention between the United Kingdom and Cuba. It is considered that a successful issue to these negotiations would result in an appreciable " mail order " business between the two countries, this form of business being particularly popular among certain classes of Cubans. At present Cuba has effective parcel post conventions with France and Mexico only; and as a result the whole of the European business of this nature now goes through France. It is understood that negotiations are also under way for a revival of the postal agreement with Germany, which lapsed during the war.

5. BRITISH TRADE POSITION.

Although Cuban trade, judged by export and import statistics, is more important than that of most South American States; although the purchasing power of the Cuban is exceptionally high

when judged by South American standards; and although there is a disposition to buy British goods when they are not too expensive; yet we only enjoy 5 per cent. of the Cuban import trade. The reasons for this are: (1) The customs preference accorded to imports from the U.S.A., (2) proximity to the U.S.A., and (3) the predominance of U.S.A. financial interests in the island.

DOMINICAN REPUBLIC (Santo Domingo).

Population 1921 897,405

British Trade Returns. Merchandise only.	1913. (£1,000's.)	1923. (£1,000's.)
U.K. exports to Dominican Republic	162	150
U.K. re-exports to Dominican Republic ...	4	34
U.K. imports from Dominican Republic ...	154	1,117

Dominican Trade Returns. General Trade.	1913. (1,000 Dollars.)	1923. (1,000 Dollars.)
Total imports	9,272	18,245
Imports from United Kingdom	730	918
Percentage from United Kingdom	7·9%	5·0%
Total exports	10,470	26,043
Exports to United Kingdom	242	4,578
Percentage to United Kingdom	2·3%	17·6%

Currency.—The American dollar is the legal unit of currency and the rate of exchange is based on that prevailing in New York, a commission of 1 per cent. being usually charged for New York drafts. The average exchange rate for the dollar in 1923 was $4·574=£1.

1. GENERAL AND FINANCIAL.

As a result of United States intervention in 1905, an American-Dominican Convention was signed in 1907 under which an American Receiver-General of Dominican Customs was appointed to supervise the collection of customs and to control the fiscal affairs of the republic.

In 1915 military intervention was necessary to ensure the collection of customs, and an American Military Government was established. This remained in charge until October, 1922, when a Provisional Dominican Government was elected.

On the 12th July, 1924, a Constitutional Dominican Government took over office from the Provisional Government, and the American Military occupation officially ended on the 16th August, the evacuation of the forces of occupation having by that date been practically completed.

Since the establishment of the American Military Government, the Republic has enjoyed internal peace and security. Commerce, which had formerly been retarded by intermittent revolutions and brigandage in the interior, has benefited accordingly. The country's finances have also been placed on a stable basis, and an extensive programme of road construction has assisted both commercial distribution and social intercourse.

It is not thought that the withdrawal of the American forces of occupation will lead to any political or social disturbances. American officials will continue in charge of the Dominican Customs Receivership in accordance with the American-Dominican Convention of 1907. The provisions of the Convention which require the prior consent of the United States to the contracting of new debts and to any modifications of the import duties also remain in force.

As stated previously, the finances of the Republic are on a stable basis. During the years 1915 to 1920 it has been possible from customs receipts to reduce considerably the indebtedness of the country, which at present amounts to approximately 13½ million dollars. Revenue and expenditure for the current year are estimated at $5,682,980 and $5,599,219 respectively.

A short term loan of 2½ million dollars for the immediate expenses of the new Government has been obtained in New York. It is also proposed to raise a further loan of 25,000,000 dollars for the redemption of the loan and for the purpose of funding the three loans comprised in the outstanding debt mentioned above.*

2. ECONOMIC DEVELOPMENT.

The economic development of the country has in the past been seriously retarded owing to the almost complete lack of interior communications and the insecurity of life and property. During the régime of the American Military Government, internal peace and order were established and roadways were constructed, with the result that considerable progress has been made. Now that the benefits of good roads have become apparent, many isolated townships are clamouring for them, and there is little doubt that the new constitutional government will do everything possible still further to develop the highways. Only two railways of importance—one of which is British—exist, and the competition from road traffic has already brought about appreciable reductions in freight rates on both these systems.

The resources of the country are almost entirely agricultural and pastoral; sugar, cocoa, coffee and tobacco being the principal exports. The sugar industry is the most important, there being 14 large and 7 small mills in the Republic, which in 1924 pro-

* In December, 1924, a new Convention between the United States and the Dominican Republic was signed at Washington, to replace the Convention of 1907 between the two countries. The new agreement has been concluded subject to ratification by the United States Senate. It will facilitate the flotation in the United States of the above loan.

duced between them 212,300 tons. Considerable growth in sugar production is taking place, particularly in the southern portion of the Republic.

Excellent grazing lands for cattle exist and a profitable trade could probably be established in cattle for export to neighbouring islands. The forests in the interior, which are at present almost untouched owing to lack of roads, contain valuable timber. Lignum-vitæ, logwood, cedar, mahogany and other woods and resins are already exported.

Although gold, copper, iron, manganese and nickel are believed to exist, no mining upon a commercial scale is carried out.

3. TRADE AND COMMERCE.

From 1905 until the sugar boom year of 1920 the trade of the Republic gradually increased without a single set back and without a single adverse balance. In 1920 a sudden fall in the price of sugar, in which much speculation had occurred, brought about an economic crisis from which few firms escaped. Recovery has been slow, and, although the situation is very much better and is steadily improving, it cannot be described as entirely favourable, and the question of granting credits is one that still requires very careful attention.

The following figures show the value of imports and exports and the balance of trade of the Republic in thousands of dollars :

Year.	Imports.	Exports.	Balance.
1905	2,737	6,896	+ 4,159
1913	9,272	10,470	+ 1,198
1920	46,526	58,731	+12,205
1921	24,585	20,614	— 3,971
1922	14,317	15,231	+ 914
1923	18,245	26,043	+ 7,798

Exports.—As previously stated, the principal exports of the Dominican Republic are sugar, cocoa, coffee and tobacco.

The following figures represent the percentage of the total export trade by countries of destination :—

—	1913.	1922.	1923.
United States...	53·49	42·54	37·72
Canada	*	28·12	31·60
United Kingdom	2·31	13·69	17·58
Germany	19·76	2·74	2·24
Other Countries	24·44	12·91	10·86

* With " Other Countries."

In 1921 the United States purchased approximately 80 per cent. of Dominican sugar exports, but in 1922, owing to the increase in the value of the preference accorded to Cuban sugar under the Fordney Tariff, only 28 per cent. went to the U.S.A., 46 and 21 per cent. being purchased respectively by Canada and the United Kingdom.

Little or no Dominican cocoa, coffee or tobacco finds its way to the United Kingdom, the bulk of the cocoa going to the U.S.A. and of the tobacco to France, Germany and the Netherlands.

Imports.—The following figures, which represent the percentage of the total import trade of the Republic secured by foreign suppliers, show clearly the predominant position held by the U.S.A.

—	1913.	1922.	1923.
United States	62·22	72·07	71·48
United Kingdom	7·88	6·82	5·03
Porto Rico	0·67	5·36	5·92
Germany	18·10	2·34	3·38
France	2·96	1·39	1·56
Other Countries	8·17	8·95	9·91

The fall in the percentage of imports from the United Kingdom in 1923, as compared with 1922, was due to the decrease in re-exports of rice from this country. Imports of British manufactured goods actually increased.

The proximity of the United States to Santo Domingo, the identity of currency, the regularity of steamship communications, and the facility with which American commercial travellers can visit the Republic, all combine to give American manufacturers and exporters an enormous advantage over their European competitors. The staff of the Dominican Public Works Department is American in all the higher branches; and most of the supplies required by this Department, which, in view of the programme of road construction, is the chief spending Department, are ordered from the United States. The principal sugar estates are also owned and staffed by Americans.

British trade is handicapped by the lack of resident British importers and agents. The chief import from the United Kingdom consists of textiles, other imports including rice, machinery, jute bags, linen goods, galvanised sheets and spirits.

After the United States, competition is principally from Germany (lager beer, cheap hardware and hollowware, crockery, glassware, chemicals, textiles, agricultural implements and tools and cutlery); from France (drugs, chemicals, tinned and bottled foods, wines, toilet requisites and perfumery, and certain textiles); and from Holland and Denmark (tinned butter, cheese, candles etc.). Denmark also furnishes half of the cement imports.

Tariff Policy.—In August, 1924, the President of the Dominican Republic nominated a committee to consider the revision of the Customs Tariff in co-operation with an American representative of the Receiver-General of Customs. Any tariff which may be formulated by this Committee would, in accordance with the terms of the American Dominican Convention, be subject to the approval not only of the Dominican Congress, but also of the Bureau of Insular Affairs in Washington.

A commercial treaty between the Dominican Republic and the United States has also been under discussion. Although no definite information is yet available, it is stated that preferential treatment for various classes of American imports into the Dominican Republic may be conceded, in exchange for equality of treatment for Dominican sugar, as compared with Cuban sugar, imported into the United States.

No tariff preferences are at present conceded by the Dominican Republic to goods of any foreign nation, but there exists a commercial treaty with France containing the " most favoured nation " clause.

HAYTI.

Population (estimated) 2,045,000

British Trade Returns. Merchandise only.	1913. (£1,000's·)	1923.s.) (£1,000's.)
United Kingdom exports to Hayti ...	167	261
United Kingdom re-exports to Hayti ...	1	1
United Kingdom imports from Hayti ...	116	184

Haytian Trade Returns. General Trade.	1912–13 (1,000 dollars).	1922–23. (1,000 dollars).
Total imports	8,100	14,158
Imports from United Kingdom	595	1,110
Percentage from United Kingdom ...	7·35%	7·84%
Total exports	11,316	14,591
Exports to United Kingdom	*	722
Percentage to United Kingdom ...	*	4·95%

* Information not available.

Currency.—The unit of currency is the gourde, which has now been fixed at 20 cents United States currency, *i.e.*, 5 gourdes to one dollar. United States currency is in circulation in all the seaports and foreign exchange is dealt with in dollars. Exchange on New York varies according to demand from ½ per cent premium to ½ per cent discount.

1. GENERAL.

As a result of American intervention in the affairs of Hayti in 1915 a convention was ratified between the two countries providing for the appointment of the following American advisers to the Haytian Government :—

Financial Adviser.
Receiver-General of Customs.
Chief Engineer of Public Works.
Chief Engineer of Sanitary Service.
Chief of the Gendarmerie of Hayti.

In May, 1922, the activities of these officials were co-ordinated under a High Commissioner appointed by the President of the United States. The official language of the Government is French.

2. FINANCIAL.

The total revenue of the Republic for the fiscal year ended September, 1922, amounted to approximately 5 million dollars, of which more than 4½ million dollars were derived from import and export duties.

The total expenditure for the same period amounted to nearly 8 million dollars, of which 4 million dollars was non-recurrent expenditure in the form of partial redemption of external loans and the payment of arrears of interest. These payments were made from the accumulated surplus of revenue over expenditure during the previous year, and at the end of the fiscal year 1922 there still remained a surplus of about 1½ million dollars.

On the 31st July, 1923, the total public debt of the Republic was approximately 19 million dollars, the external funded debt accounting for about 16 million dollars of this amount. The improved position of the national finances may be ascribed to American intervention.

3. ECONOMIC RESOURCES.

The resources of Hayti are entirely agricultural, and its future depends principally on the construction of roads for the opening up of the country and for the marketing of the crops. Irrigation is also necessary.

Coffee is the chief source of wealth. In the fiscal year 1922 the export duties on this commodity alone accounted for 35 per cent. of the total revenue of the Republic. Cotton, sugar, logwood, and cocoa are the other principal but far less important products.

Since the American intervention, much has been done towards the betterment of conditions, but progress has been principally along the lines of security, sound finance, public health and roads. Comparatively little has been done towards industrial or agricultural development. The importance of the latter is now

appreciated by the Government, and a Technical Bureau of the Department of Agriculture for the purpose of organising and founding agricultural colleges and experimental farms, &c., has recently been established.

It is estimated that the rural population of Hayti is approximately 1,600,000, out of a total population of two millions. A potentially great, but at present almost neglected, source of agricultural labour therefore exists, and one which will inevitably become productive if an energetic agricultural policy is pursued.

4. INDUSTRIES.

The industries of Hayti are unimportant and have little effect upon the import trade of the country. The principal enterprises established during recent years include a large sugar central at Port-au-Prince, a smaller plant near Cap Haitien and a logwood extract plant at Grande Rivière.

5. TRADE AND COMMERCE.

The foreign trade of Hayti is comparatively insignificant and, as the following figures show, progress has only been in the direction of reducing an unfavourable balance of trade.

—	Imports. ($1,000.)	Exports. ($1,000.)	Total trade.	Balance.
1920–21	11,957	6,590	18,547	—5,367
1921–22	12,350	10,712	23,062	—1,638
1922–23	14,158	14,591	28,749	+433

The total foreign trade of Hayti, with a population of 147 to the square mile, averages only approximately 14 dollars per capita, as compared with 174 dollars per capita per annum in Cuba, which has a population of only about 66 to the square mile.

A vigorous agricultural policy is therefore necessary, in order to secure a favourable trade balance and to place the country on a sound economic basis.

5(a) Exports.—As previously stated, coffee is the principal source of wealth, and this commodity alone in 1923 accounted for 74·5 per cent. by value of the total export trade of Hayti. The other principal exports are cotton (13 per cent.); forest products, of which logwood is the principal item (4·6 per cent.); sugar (3·3 per cent.) and cocoa (1·8 per cent.).

The principal destinations of Haytian exports in 1923 were :—

	Percentage of total exports by value.	Principal commodities.
France	60·6	Coffee and raw cotton.
United States	13·6	Sugar, logwood and cocoa.
Belgium	5·2	Coffee.
United Kingdom ...	5·0	Cotton, cotton seed and oil.

5(b) Exports.—The principal suppliers of Haytian requirements during 1923 were :—

	Per cent. of total imports by value.
United States	81·4
United Kingdom	7·8
France	4·6
Germany	2·6

The predominant position of the United States in the import trade of Hayti has been attained in spite of an inclination on the part of the Haytian upper classes towards European connections.

5(c) Nature of Haytian requirements—More than 75 per cent. of the total population of the Republic is composed of a peasant class whose needs are extremely primitive. Their only metal requirements are a machete, an iron cooking pot and perhaps a brazier. In clothing, their demand is equally limited, being confined practically to cottons and denims; and no foodstuffs with the exception of fish and flour are imported in any quantity.

The requirements of the educated minority who constitute the upper classes are as varied and as high class as elsewhere in the Caribbean, but generally speaking Hayti is a native market, and price is the determining factor in trade.

The following figures indicate the principal imports in 1923 :—

	Percentage of total imports by value.
Cotton goods	30·88
Wheat flour	15·90
Lard and substitutes	5·15
Soap	4·20
Manufactures of iron and steel ...	3·78
Fish	3·62
Sacks and cordage	3·10
Machinery	2·94
Tobacco	2·73

In the above classes of goods the U.S.A. supplied 83 per cent. of the cotton goods, 99 per cent. of the soap, the whole of the wheat flour and practically all the fish.

The principal exports from the United Kingdom to Hayti are sacks and cordage (50 per cent.), woollen goods (37 per cent.), cotton goods (14 per cent.), manufactures of iron and steel (16 per cent.), agricultural tools and implements (77 per cent.), liquors, etc. (27 per cent.), and chemical and pharmaceutical products (2 per cent.). The figures in brackets indicate the approximate percentage the value of imports from the United Kingdom bore to the total imports of the particular commodities mentioned during the year 1922-23.

Although the United Kingdom has more than retained her position in the market, the total value of Haytian imports from the United Kingdom only amounts to about £260,000 per annum. Owing to geographical conditions and other factors no great improvement on that figure can be looked for, at any rate in the near future.

GUATEMALA.

Population (1920) ... ... 2,004,900 (official estimate)

British Trade Returns. Merchandise only.	1913. (£1,000's.)	1923. (£1,000's.)
U.K. exports to Guatemala	344	364
U.K. re-exports to Guatemala	8	5
U.K. imports from Guatemala	356	91

Guatemalan Trade Returns.	1913. 1,000 dollars (United States currency).	1923. 1,000 dollars (United States currency).
Total Imports	10,062	10,841
Imports from United Kingdom	1,650*	1,666
Percentage from United Kingdom ...	16·5%	15·4%
Total Exports	14,450	14,726
Exports to United Kingdom	1,857*	357
Percentage to United Kingdom ...	12·9%	2·4%

* Including British Honduras.

Currency.—The currency consists of the paper peso of a fluctuating value, which, for exchange purposes, is based on the American dollar. The American dollar is legal tender, and is universally used in foreign commerce and in retail trade in imported articles in the capital. The rate at the end of 1924 was 284 pesos = £1.

1. GENERAL.

The President, General Orellana, has held power since 1922. During this period political conditions have been tranquil, and the trade of the country has been developing normally. There are signs that this condition of equilibrium may be maintained.

About 60 per cent. of the population are Indians, the remainder being mainly of mixed descent.

2. FINANCIAL.

Guatemala's trade balance is in her favour, that for 1923 being proportionately more so than that for 1922, although both exports and imports showed an increase.

According to Guatemalan official reports, the country's indebtedness on 31 December, 1923, stood, in round numbers, as follows :—

External Debt (including arrears of interest from 1895 to 1913)	£1,900,000	
Floating Debt	$100,000	U.S. gold.
	60,000	silver.
	P5,500,000	national currency.

The Government proposes to pay off the floating debt by half yearly drawings, establishing a special tax for the purpose.

The funds required for the service of the External Debt up to 30 June, 1924, namely £56,000, have been duly provided.

The per capita indebtedness is small, and taxation, except in respect of the export tax on coffee, is light. As, however, the accumulated Treasury reserves have been absorbed by deficits in recent years, it is probable that a revision of the present system of taxation will be necessary in order to produce revenue.

3. ECONOMIC DEVELOPMENT.

3(a) Mining.—There is not much mining activity in Guatemala, a few small silver and lead mines only being worked at present.

There are said to be many indications of petroleum in Guatemala, but so far no drilling operations have been undertaken.

A Decree of December, 1915, reserves the ownership of mineral oil to the State, leases of oil-bearing lands being granted only to Guatemalan citizens and for a period not exceeding 10 years.

3(b) Agriculture.—*Coffee.*—This is Guatemala's staple product, of which the United States absorbs 70-80 per cent.

Sugar.—This is Guatemala's second product. Previous to the European war, the United States and the United Kingdom absorbed this crop in about equal proportions. Since the war, however, the United States has taken almost the entire crop.

In spite of the fact that Germans have very large holdings in sugar estates, most of the machinery in use is British.

Timber.—Guatemala is rich in mahogany and cedar, and in many varieties of tropical woods. At present no exploitation on a large scale is carried out, owing to the difficult nature of the country, and the absence of railways, roads and labour in the timber districts. In the perhaps not very immediate future this industry may afford a market for British wood-working machinery and railway material.

Bananas are cultivated on a large scale on the Atlantic slope, the production being chiefly in the hands of the United Fruit Company, an American concern, which ships to the United States.

Rice and *cotton* are grown for local consumption, and there is a certain export of miscellaneous animal and vegetable products.

That Guatemala is not more productive is due to lack of capital, shortage of labour and the want of communications. Large areas along the Northern Railway need only an irrigation scheme for development, and the coast lands will produce almost any tropical product in great abundance. The highlands of the interior could be made to grow cereals to an extent more than sufficient for the needs of the population.

3(c) Hydro-Electric and Electric Development.—Guatemala is well supplied with hydro-electric plants; out of some forty of the more important electrical installations only one is known to be steam driven.

In addition there are numerous plants on coffee and sugar estates with a generating capacity of from 1 to 3 kilowatts.

In all these installations American machinery preponderates, followed very closely by German.

3(d) Railways.—Guatemala has about 400 miles of railway, including through communication between the Atlantic and Pacific coasts. A line also runs to the Mexican border at the Suchiate river, but has not been continued so as to afford through communication with the Mexican system. All the Guatemalan railways are narrow gauge.

The main railway system is the property of the International Railways of Central America, an American corporation, and cannot be considered as affording any opening for British material.

3(e) Roads.—Few of these can be used even by ox-carts. A little improvement has been made in the immediate vicinity of the capital, and a road suitable for motor traffic is stated to have been constructed to the frontier of Salvador; but to all intents and purposes roads are non-existent. For this reason only a few hundred motor cars are in use in the Republic, and these mostly in the capital. Practically all are of American make.

4. INDUSTRIAL POLICY.

Industry is still in its infancy in Guatemala, but is susceptible of development. Cotton textiles and yarns, cheap hosiery and knitted underwear, cement, beer, sole leather, common soap, candles, cigars and cigarettes, furniture, aerated water, footwear, saddlery and a few other articles are manufactured for local consumption, but in no case satisfy the demand.

It may be said that Guatemalan manufactures have no adverse effects on imports from Great Britain, except, perhaps, in regard to the cheapest cotton textiles.

5. EXTERNAL TRADE.

In round figures, the exports from Guatemala in 1923 totalled $15,000,000, as against $12,000,000 in 1922.

The imports were $11,000,000 American gold in 1923, an increase of $2,000,000, as compared with 1922.

The exports went to the following countries in the percentages mentioned :—

	1922. per cent.	1923. per cent.
United States	68	75
Germany	16	13
United Kingdom	2	2
Holland	8	2
Other countries	6	8
	100	100

(*Note.*—All the above figures are from Guatemalan sources.)

British and United States figures give the following as the value of the trade between each of those countries and Guatemala :—

EXPORTS TO GUATEMALA.

—	1913.	1922.	1923.
From U.S.A.	$3,367,000	$5,460,000	$6,314,000
From United Kingdom...	£352,000	£395,000	£369,000
From Germany	M. 4,700,000	*	M. 7,200,000 (1924)

IMPORTS FROM GUATEMALA.

To U.S.A.	$3,414,000	$8,784,000	$11,267,000
To United Kingdom ...	£356,000	£134,000	£91,000
To Germany	M. 34,900,000	*	M. 29,900,000 (1924)

* Not available.

It will be seen that the U.S.A. trade is much greater in value than in 1913, whereas the United Kingdom exports have remained stationary, and imports are hardly one-third of those in 1913.

For the first quarter of 1924 an increase in value of 41 per cent. was registered by Guatemalan exports, as compared with the corresponding period of 1923. This increase was due almost entirely to the prevailing high prices for coffee.

The value of exports to the United States for the first quarter of 1924 was only 45 per cent. of the total, as against 75 per cent. for the year 1923. This decline is the result of increased shipments of coffee to Europe, the greatest gain being made by Germany, which took more coffee than any other country.

6. COMPETITIVE SITUATION.

It is hardly necessary to enlarge on the figures shown in the previous section. Guatemalan sources, however, give the following percentages of imports :—

	1922. per cent.	1923. per cent.
From United States ...	62	60
,, Great Britain ...	15	15
,, Germany	11	12
,, Other countries ...	12	13
	100	100

Cotton Goods.—In certain cheap grades of cotton goods American manufacturers, by offering specially assorted standard bales at very competitive prices, have succeeded in persuading the conservative Indian that he prefers the grades in question to goods of better quality which are less familiar.

In the better classes of prints British manufactures are well able to compete, and the great variety offered is an advantage.

Hardware.—Most of this trade is in the hands of American manufacturers, British firms holding their own in special classes of goods such as agricultural implements. During the first six months of 1922 heavy orders were placed in Germany, but after that time trade dropped off, probably owing to the long delays in delivery and to the instability of the exchange.

Provisions.—These are chiefly imported from the United States, but British manufacturers of well-known proprietary articles find a steady market.

Toys and Fancy Goods.—Toys are mostly of a cheap class and of United States origin ; German toys have, however, already begun to appear. The Chinese stores sell quantities of cheap Japanese toys.

Woollens, Silks, Haberdashery, etc.—Most of the trade in woollens is British. Haberdashery, etc., comes from the U.S.A. Silks are mostly Chinese or Japanese, with a small proportion of U.S.A. manufacture.

Stationery, etc.—About 70 per cent. of this trade is with the U.S.A., the remainder being divided between Great Britain and Germany.

Drugs and Perfumes.—Almost entirely from U.S.A., with Germany taking second place, France third place and Great Britain fourth.

Motors.—This trade, as stated under "Roads," is almost entirely in the hands of the Americans.

Foreign Interests.—*United States.*—American interests control the railway system, the light and power companies of the capital, and the banana plantations.

United States coffee exporting houses have offices in the capital and finance a large proportion of the crops.

Germany.—More than half the plantations and farms of Guatemala are dependent on German capital. In the capital there are several German banking firms, and some of the largest stores are German owned.

Great Britain.—Apart from the External Debt, British capital invested in Guatemala is not large. Some of the coffee and sugar estates are in British hands. A branch of the Commercial Bank of Spanish-America is established in the capital.

THE CENTRAL AMERICAN REPUBLICS.

(Salvador, Honduras, Nicaragua, Costa Rica and Panama.)

	Population. 1923. (Approx.)	British Trade Returns. Merchandise only.			
		Exports of U.K. Produce.		Imports into U.K.	
		1913. (£1,000's.)	1923. (£1,000's.)	1913. (£,1000's.)	1923. (£1,000's.)
Salvador	1,582,000	328	427	... 116	16
Honduras ...	673,000	127	210	1	799
Nicaragua ...	700,000	243	236	117	83
Costa Rica ...	498,000	236	259	1,424	1,634
Panama	446,000	457	354	52	88
Total ...	3,899,000	1,391	1,486	1,710	2,620

Currency.—Each of the republics has its own currency, but for the purpose of foreign trade the American dollar is the standard unit.

1. GENERAL.

In view of the small market afforded for British goods by these five Republics, it has been deemed advisable to treat them as one unit.

The combined area of the five Republics is approximately 180,000 square miles. The most thickly populated and the most intensively developed of the five Republics is Salvador, which has a population of approximately 1,582,000; the remaining four do not total more than a little over two million, making a population for the five of about 3,900,000. Of this number, by far the larger proportion are Indians, illiterate, and with an extremely low standard of living, whose wants are filled by, and whose means extend only to, the purchase of the simplest and the cheapest articles comprising the barest necessities of life.

2. INTERNAL DEVELOPMENT.

Mining.—The only mines of any outstanding importance in Central America are those at San Juancito in Honduras, where the New York and Honduras Rosario Mining Company owns gold and silver properties of importance.

Petroleum.—Numerous efforts have been made both by British and American interests to discover petroleum in Central America, but, so far as can be ascertained, no oil has been discovered in workable quantities.

Agriculture.—Central America is essentially agricultural, and the greater part of its wealth depends upon its crops. Coffee, sugar, cocoa, bananas and other tropical products make up the staple exports. The banana industry is chiefly in the hands of the United Fruit Company of America.

Water-power.—Owing to the absence of any considerable development in manufacturing industries, the demand for electricity is chiefly confined to what is necessary for a certain amount of electric lighting, telephones and telegraphs, and, in certain instances, electric trams. The capitals of Salvador, Honduras and Nicaragua still use horse-drawn trams (the same conditions applying also in Guatemala). The machinery and accessories are practically all of American make.

Railways.—*Salvador* has an area of about 13,000 square miles, and about 260 miles of railways open. Railway construction is proceeding steadily. The ports of La Union and Acajutla are connected by rail with the capital, the latter by the Salvador Railway Company, a British-owned and operated line of about 90 miles. The remaining railway interests are American.

Honduras has no railway to the Pacific coast, and the capital is reached from that side by a motor road of some 90 miles. With an area of 44,000 square miles, Honduras has only about 600 miles of railway, entirely on the north coast, and owned principally by the banana companies. To reach railhead on the Atlantic side a motor journey of about a day and a half is necessary from the capital.

Nicaragua, with an area of 52,000 square miles, is connected only with the Pacific coast by a railway, operated by Americans,

and having a total length, with branches, of 172 miles. The permanent way leaves much to be desired. Railway connection with the Atlantic is projected, but is not likely to be constructed in the immediate future.

Costa Rica, with an area of 23,000 square miles, has 403 miles of railways and connection from the capital both with the Pacific and Atlantic coasts. The lines are under American operation.

Panama has an area of 32,000 square miles. The United Fruit Company (American) owns about 140 miles of track on its properties in the north, and the Chiriqui line on the Pacific side has under 100 miles of track. Neither of these railways connects with the towns of Panama or Colon.

The important line is the Panama Railway (also American-owned and operated) between Panama and Colon, a distance of 47 miles.

Roads.—Good roads are scarce, but proposals for scientific road-building are under consideration.

3. INDUSTRIES.

Central America is not, nor would it appear ever likely to be, a manufacturing area. With the exception of a few breweries, soap and candle factories, electric light works and rum distilling plants, and a factory in Salvador for cheap hosiery and cheap cotton goods, the five Republics may be said to have no industrial development.

4. EXTERNAL TRADE.

The following table shows the trade of the United Kingdom, the United States of America and Germany with the five States:

	United Kingdom. (£ millions.)		U.S.A. ($ millions.)		Germany. (Marks millions.)	
	1913.	1923.	1913–14.	1923.	1913.	1923.
Exports to the five States.	1·4	1·5	35·4	47·7	11·9	*
Imports from the five States.	1·7	2·6	13·8	23·7	15·5	*

* Not available for 1923; in 1924 exports were 8·8 million reichsmarks, and imports 16·2 million reichsmarks.

The greater proportion of British exports consists of cotton textiles and jute sacks, with a certain amount of hardware, chemicals, paper, foodstuffs, liquors and other assorted merchandise.

The market is essentially American. British cotton goods have largely re-established the position which they lost during the war, but in other articles the United States gain is steady,

except in liquors and proprietary foodstuffs manufactured only in Great Britain.

So far as concerns entry into the market by new British firms, it may almost be considered that the point of saturation has been reached. There are agents in all the Republics for British manufacturers of, or British merchants dealing in, practically every article of common use, and even with this representation the British share of imports is dropping as compared with that of the United States.

The Pan-American Postal Convention permits the United States to flood Central America with commercial literature at rates lower than those available for British exporters; and the geographical proximity of the Northern Republic allows her commercial travellers to reach Central America with an expenditure of time and money much less than that required by travellers from the United Kingdom.

BOLIVIA.

	1900	1918
Population ...	1,744,568	2,890,000 (estimated).

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Bolivia	73	360	544
U.K. re-exports to Bolivia ...	4	16	11
U.K. imports from Bolivia	301	2,250	3,762

Bolivian Trade Returns. General Trade (including Bullion and Specie).	1913. (Bolivianos 1,000.)	1921. (Bolivianos 1,000.)
Total imports	54,763	70,853
Imports from United Kingdom	11,101	16,854
Percentage from United Kingdom ...	20·3%	23·8%
Total exports	93,722	66,919
Exports to United Kingdom	75,764	35,629
Percentage to United Kingdom ...	80·8%	53·2%

Currency.—There is no Bolivian gold coin in circulation, but English and Peruvian sovereigns and half sovereigns are legal tender up to any amount. The silver boliviano has a par value of 19·2 pence. The rate of exchange at the end of 1924 was 17½ pence to the boliviano. The circulation is mainly paper currency.

1. FINANCIAL STABILITY.

The revenue of Bolivia is derived mainly from Customs duties, spirit duties, mineral and rubber export duties, patents and stamp duties. The chief heads of expenditure are the service of the national debt, the army, and public works.

The estimated expenditure for 1924 was 39 million bolivianos, with an estimated revenue of 24 million, showing an anticipated deficit of 15 million bolivianos. From the year 1918 on there has been a series of deficits in the Bolivian budget.

The Public Debt of Bolivia at the beginning of 1922 amounted to 69 million bolivianos.

2. EXTERNAL TRADE.

The latest year for which foreign trade statistics are available is 1921.

	Exports (million bolivianos).	
To	1913.	1921.
United Kingdom ...	75·8	35·6
Germany	8·0	0·2
U.S.A.	0·6	25·8
Total ...	93·7	66·9

	Imports (million bolivianos).	
From	1913.	1921.
Germany	20·1	3·9*
United Kingdom ...	11·1	16·9
U.S.A.	4·0	20·1
Total ...	54·8	70·9

3. INTERNAL DEVELOPMENT.

3(a) Agriculture.—It is estimated that about five million acres are under cultivation, chiefly in Eastern Bolivia, but agriculture is backward.

3(b) Mining.—Bolivia ranks third after the United States and Mexico as the richest mineral-producing country of the whole American continent. *Tin* accounts for 65 per cent. of her total exports. (Bolivia is the second tin-producing country in the world, following the Straits Settlements.)

Bolivia also produces a number of other minerals, including silver and copper.

3(c) Hydro-Electric Development.—La Paz and a few other towns have hydro-electric plants, but all the central stations are

* The exports from Germany to Bolivia in 1924 amounted to 6,700,000 reichsmarks; in 1913 the value was 12,000,000 marks. German trade is therefore very much less in volume than in 1913.

of relatively small capacity, no town in the country, with the exception of the capital, having a population of much over 30,000. Water-power is very scantily available on the Pacific slope, or on the great midland pampa section where most of the towns and mines are located. Electric installations are therefore largely dependent upon Diesel engines for their power.

3(d) Railways.—In 1922 the total length of line open in Bolivia was 1,400 miles, with 260 miles under construction. It was anticipated that by the beginning of 1925 or shortly after the short stretch of line would be completed which is still necessary to give through communication with Buenos Aires. Bolivia would then have direct outlet by rail to both the Pacific and Atlantic oceans.

At present she has three outlets to the Pacific :—

(i) The Arica-La Paz Railway, through Chile.
(ii) The Antofagasta and Bolivia Railway, also through Chile.
(iii) The Guayqui-La Paz Railway, which makes connection, by steamer across Lake Titicaca, with the Southern Railway of Peru, with terminus at Mollendo.

4. INDUSTRIAL POLICY.

Bolivia is not now an industrial country, nor is it probable that it ever will be. The essential primary materials, coal and iron, are both lacking, and, since the great altitude makes the cost of importing them almost prohibitive, the prospects for development are not bright. Then, too, the sparseness of the population, which, even counting the illiterate Indians and the half-breeds, amounts to less than five persons to the square mile, precludes any considerable activity in manufacturing.

There is little or nothing to attract skilled or semi-skilled labourers away from the mines and railroads, and without them it is obviously impossible to conduct any industry on a large scale. Capital also would be needed and would have to come from outside the country, the wealthy Bolivians not being given to investing their money in such enterprises.

There are a few factories making such articles as cigarettes, soap, chocolate, etc., and numerous breweries. In the eastern part of the country are sugar-cane and coffee plantations, but the preparation of the products is, as yet, little more than a hand industry.

COLOMBIA.

Population (1918) ... ... 5,855,077.

British Trade Returns. Merchandise only.	1905. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Colombia	575	1,693	2,730
U.K. re-exports to Colombia ...	16	21	16
U.K. imports from Colombia ...	434	1,089	1,463

Colombian Trade Returns. General Trade (including Bullion and Specie).	1913. (1,000 gold pesos.)	*1919. (1,000 gold pesos.)
Total Imports	28,536	47,452
Imports from United Kingdom ...	5,837	6,995
Percentage from United Kingdom ...	20·5%	14·7%
Total exports	34.315	79,011
Exports to United Kingdom	5,566	2,671
Percentage to United Kingdom ...	16·2%	3·4%

* No later figures available.

Currency.—The currency unit is the gold dollar or peso, equal to one-fifth of the £ sterling. At the end of 1924 the rate was approximately 95 pesos=£20.

1. GENERAL.

The political condition of Colombia appears to be quite stable. The country has embarked upon an era of considerable internal progress, especially in railway construction, and, in so far as any definite statement can be made respecting a country dependent for a great proportion of its revenue on the success of its annual crops, it is prosperous. There is no reason to anticipate anything but a steady and orderly development of the country's immense resources. No revolution has occurred in Colombia for over 20 years, nor has there been any dictator.

2. FINANCIAL.

The service of the Consolidated External Debt of 1896 has been regularly and punctually continued. During 1923 the principal was reduced by £149,500, leaving only £1,130,000 outstanding. At the end of 1923 $20,000,000 gold still remained payable by the U.S.A., in instalments of $5,000,000 annually, on the $25,000,000 Panama indemnity. Early in 1923 the Colombian Government appointed a Commission of United States financial experts to examine and report on the state of the national finances, and to make recommendations; also to advise as to the best method of establishing a State Bank.

In May, 1923, Congress approved the establishment of a Bank of Issue; and the Bank commenced operations towards the end of July, 1923, with an authorised capital of 10 million pesos and a paid-up capital of some seven million pesos gold, and with the exclusive privilege of issuing bank notes in Colombia. Within a few years' time its paper money will be the only kind having legal circulation in the Republic. The bank is obliged to support its deposits and issues by a gold reserve of 60 per cent. of their value. It constitutes a re-discount bank, and is the fiscal agent of the Government.

Owing to financial troubles and the failure of a prominent bank, the last six months of 1923 were a period of much difficulty for merchants and small tradesmen. Credit was considerably reduced by banking institutions, and loans were made upon unimpeachable security only, 12 per cent. being charged by banks, and from 15 to 18 per cent. by private moneylenders. Since May 15th, 1924, the prevailing rates have been 7 per cent. for the Republic Bank and 10 per cent. for its member banks, these banks being prevented from charging more than 3 per cent. above the rate of discount fixed from time to time by the said bank.

3. ECONOMIC DEVELOPMENT.

3(a) Mining.—*Emeralds* are a Government monopoly, and normally constitute the greater part of the national income from the mineral resources of the country. In 1923 production was resumed, after a long period of stagnation; and a contract was concluded with a French syndicate to act as the official Government agents for the sale of emeralds.

Salt is also a Government monopoly, and the revenue therefrom amounts to about $1,000,000 per year.

Many other minerals are known to exist, including *silver* and *gold*. The exports of gold from July, 1922, to June, 1923, amounted to $3,550,000.

Platinum is also mined extensively, and it is not impossible that Colombia may succeed to the position held by Russia, and become the world's chief producer of that metal.

Petroleum.—Expert opinion is divided upon the question of Colombia's potential wealth in this direction. Production for the last three years, in barrels of 42 gallons, was as follows :—

	Barrels.
1921	102,097
1922	322,786
1923	424,883

This, it is true, shows an increasing production, but when it is considered that one of the large refineries in Mexico will use 100,000 barrels of crude petroleum per day, it will be seen that

Colombia has a long way to go before it becomes one of the world's main producers.

The question of transport is a further consideration. The majority of the fields, either under exploitation or classed as containing latent deposits, are situated at great distances from the sea, and depend upon the Magdalena River, with its uncertain depth of water, to carry the output to the coast. For this reason oleoducts would seem to be very necessary, in the event of an extensive opening up of the oil-bearing parts of the country. One concession has already been granted to the Andian Corporation.

The construction of oleoducts naturally requires a large outlay of capital, which could be supplied by powerful syndicates only; and such syndicates would in nearly every case have to be foreign.

3(b) Hydro-Electric Development.—The use of electricity in the Republic of Colombia has grown but little; neither the population nor the state of industrial progress warrants, as yet, exploitation of the abundant resources of the country's water-power. Bogota, the capital, has a hydro-electric plant, Barranquilla a steam and Cartagena a coal-gas plant; and there are a few steam or hydro-electric plants in other localities. Generally speaking, however, hydro-electric development should, in the future, present a good field for British manufactures.

3(c) Railways.—The two main arteries of traffic in Colombia are still the Magdalena and Cauca rivers, with short lines here and there which act as feeders, or cover what would be known in Canada as " portages." Colombia lacks entirely any great trunk line, and communication between the capital and the Atlantic coast necessitates a series of changes from railway to river and vice versa. A German company has established an air line, by which the journey can be made in two days; but this is expensive, and only carries a few passengers at a time, and mail.

Railway construction is, however, proceeding apace, especially on the line running inland from the Pacific port of Buenaventura. This is a Government enterprise, and covers, with branches, some 300 miles. It is proposed at some date to connect this line with that section of railway which gives access from the Magdalena river to Bogota; but, in view of the terrific engineering difficulties to be encountered, it may be doubted whether this line will ever be constructed, should a through railway be laid from Bogota to the Atlantic coast.

Traffic in Colombia is for the most part " through " rather than " local." Although, therefore, the economic and strategic need for such a line is urgent from the Colombian point of view, it is doubtful whether it would ever repay its cost to any company which might be formed for its construction and operation. Proposals to " develop the lands along the right of way " tend to lose sight of the fact that the population for such development is largely lacking, and that tropical conditions of life

and work are wholly unsuited to European labourers; and it is unlikely that the Colombian Government would welcome a huge influx of negro immigrants.

Five of the railways in Colombia, covering some 250 miles in actual operation, are British-owned, but by no means confine themselves to British rolling-stock. It would seem that the locomotives at present in use and on order are mostly of American and British manufacture, with the American predominating. Some orders have been placed in Germany by the Pacific Railway, which is also purchasing British and American locomotives.

It is customary to give very long credits: in some cases American firms have allowed as much as from nine months to a year. As this often proves a deciding factor in the selection of tenders, British manufacturers should understand that it is useless to compete against United States concerns unless they are prepared to grant similar accommodation.

Local representation is imperative, a fact which is well understood by certain of the prominent British and American manufacturers.

3(d) Roads.—In most cases these are little more than cart or mule tracks, and practically impassable for wheeled vehicles in the rainy seasons. Little improvement is looked for at the present time, and little scope is therefore afforded for motor traffic outside the large towns.

3(e) Ropeways.—One important British ropeway is operating in Colombia, and another is planned. Owing to the mountainous nature of the country a field should be open at a later date for British enterprises of this nature, but a great expansion of the mining industry will probably first be necessary.

3(f) Agriculture, etc.—*Coffee.*—This is the staple product of the republic, and the one which provides the greater part of its wealth. It is cultivated in all parts of the country.

Bananas.—The principal plantations are situated near the port of Santa Marta on the Atlantic coast. A considerable amount of capital is invested in this trade, the export branch of which is almost entirely in the hands of the United Fruit Company, an important American concern which also operates in the Central American republics, and runs its own line of steamers from New Orleans.

Cotton is being increasingly cultivated both near the coast and also in the interior, but scarcely any of the manufactured product is exported, home consumption absorbing, for the time being, practically all the crops raised.

Tobacco is cultivated in considerable quantities for the manufacture of cigarettes and cigars for home consumption.

Silk.—The cultivation of silk has been begun with some success.

Panama Hats are plaited, the greater part of the export trade being with the United States.

A great variety of tropical woods, fibres and fruits are also produced.

Live Stock, such as cattle, sheep, horses and mules are bred throughout the country, and provide a substantial part of the national wealth.

4. INDUSTRIAL POLICY.

Colombia is so essentially an agricultural country that, at present, she can hardly be said to have a definite industrial policy. Her tariffs are for purposes of revenue only, and a protectionist tariff for the benefit of her limited industries would bear hardly on the consumer, without carrying a proportionate benefit to those engaged in manufacture.

There are a few cotton mills with modern machinery, manufacturing light drills and cotton cloths, and yarns, and two woollen mills in Bogota use locally grown wool and make cloth for the poorer class of the population.

In Barranquilla the manufacture of boots and shoes is an important industry, but the marketing is largely local.

It may be said that all the manufactures above mentioned cater entirely for the poorer element, and that, except the cheapest grades of textiles, they have little adverse effect on British imports into Colombia.

5. EXTERNAL TRADE.

This is a subject on which no details are forthcoming, no Colombian statistics showing the distribution of trade having been published for a date later than 1919, a year of little or no use as a basis of comparison of post-war developments. Such few statistics as are available are fragmentary, and it is impossible to present any complete picture of Colombia's total export capacity.

The following figures, however, give some indication of the trend of trade between Colombia and the United States, the United Kingdom and Germany respectively :—

Exports to Colombia

——	1913.	1922.	1923.
United States of America, domestic.	$7,647,165	$19,564,017	$21,893,093
United States of America, re-export.		$572,691	$404,633
United Kingdom, domestic.	£1,692,541	£2,260,370	£2,729,851
United Kingdom, re-export...	£20,813	£18,144	£16,394
Germany, domestic	m. 18,000,000	*	rm. 22,500,000 (1924).

* Not available.

Imports from Colombia.

—	1913.	1922.	1923.
United States of America ...	$15,714,447	$36,064,459	$45,705,602
United Kingdom	£1,088,717	£1,969,028	£1,463,395
Germany, domestic	m.15,900,000	*	rm. 5,000,000 (1924).

* Not available.

6. COMPETITIVE SITUATION.

While the absence of statistics renders impossible any comparison of loss or gain in specific trades, or the precise indication of sources of competition, reference to the above figures shows clearly that, whereas between 1913 and 1923 the United States has trebled the value of its exports, those from the United Kingdom have increased only by about 60 per cent.

It is, however, stated in an American report that, while during the war the United Kingdom lost to America the position which she had previously held as the premier supplier of cotton goods, much of the ground lost has now been regained by British houses.

In view of all the favourable conditions, the stable political and financial situation, and the absence of any restrictions on trade in favour of national products, it is clear that Colombia is a market worthy of close study by British exporters, not only on account of its present opportunities, but also by reason of its vast potentialities for the future.

Agents.—For the proper working of this field too much attention cannot be paid to the advantages of sending capable commercial travellers. The Latin-American is conservative, and having once placed orders with satisfactory results, his instinct is to stay with the firm he knows. The personal touch has great importance with him, and one visit from a capable and tactful representative sent out directly by the exporting house may well be worth a dozen from a local agent appointed on the spot.

Another point to be noted is that in countries such as Colombia, where the major part of the population is engaged in agriculture, the supply of efficient local agents must of necessity be inferior to the demand. Not only is it necessary to seek such an agent representing no other British firm in a competing line, but one also who has no foreign competitive connections. Year by year, in standard lines, such as textiles, hardware, groceries, etc., this task tends to become more and more difficult, and the services of a home representative more and more essential.

Although there is still a sentiment favourable both to British people and British goods, this feeling has no longer any appreciable effect on business. The prestige of British goods for quality needs to be supported by favourable terms as to price, payment and delivery.

ECUADOR.

	1903	1923
Population ...	1,328,821	2,000,000 (estimated).

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Ecuador	331	415	596
U.K. re-exports to Ecuador ...	9	10	4
U.K. imports from Ecuador ...	308	468	239

Ecuador Trade Returns. General Trade.	1913. (1,000 sucres.)	1922. (1,000 sucres.)
Total imports	18,182	33,423
Imports from United Kingdom	5,392	9,543
Percentage from United Kingdom ...	29·7%	28·6%
Total exports	32,488	46,107
Exports to United Kingdom	3,336	2,999
Percentage to United Kingdom ...	10·3%	6·5%

Currency.—The unit of Ecuadorean currency is the sucre, the par value of which is 10 sucres to the £1 sterling. The rate at the end of 1924 was 21·57 = £1.

1. GENERAL.

For the time being Ecuador would appear to have attained to a condition of political stability.

The population consists largely of Indians, with low purchasing power. Those of mixed descent are estimated at 400,000, and there are a few persons of pure European blood.

2. FINANCIAL POSITION.

The finance of the country is not in a satisfactory state. The causes are alleged to be :—

(i) Internal revolutions in the past, which tended greatly to exhaust the national Treasury and increase the public debt.

(ii) The effects of the war, decreasing both export and import trade.

(iii) Defects of administration.

(iv) Defects in the taxation system.

The Public Debt, external and internal, on 1st January, 1923, was 70 million sucres. Expenditure for a number of years has been considerably in excess of revenues, showing deficits varying from three to five million sucres.

An American expert has, however, been appointed for the purpose of reorganising the public finances, and has taken up his duties. Some success has already attended the efforts of the

Government to restore confidence in the financial administration of the country.

Ecuador is, to all intents and purposes, a country dependent for the greater part of its prosperity on the success of the cocoa crop, and its financial condition therefore fluctuates from year to year with the market value of this single commodity.

3. INTERNAL DEVELOPMENT.

3(a) Mining.—Mining is conducted on a small scale, and an American company has been working a *gold* and *silver* mine for the last 30 years. This is the only effective mining concern in the country.

Coal exists, but of poor quality and in conditions which make profitable mining impracticable.

Copper, *Zinc*, and *Quicksilver* are also found, but no suitable means of communication exist for their development.

3(b) Agriculture.—As before stated, the chief agricultural product of the country is *cocoa*. The failure of the last few crops has had a depressing effect on the economics of the country. Disease has also broken out amongst the plants, and steps are being taken to combat it.

The *Banana* industry will probably figure considerably in the future, the systematic exploitation of this fruit having been taken up by American interests.

The country also produces coffee, sugar, rice, cotton and tobacco.

3(c) Petroleum.—A British company is developing oil wells on the coast, and oil has actually been struck in small quantities. It is, however, too early to prophesy whether the industry will ever assume really paying proportions.

3(d) Hydro-Electric Development.—On account of the Humboldt current, which strikes the coast just south of Guayaquil, Ecuador, with north-west Colombia, possesses the only portion of the Pacific coast of South America whose conditions parallel the tropical shores of Brazil. Unlike the arid Peruvian and Chilean coasts, that of Ecuador presents a scene of massed vegetation watered by heavy and more or less continuous rainfall, and waterfalls in the interior provide a constant and bountiful store of electrical power. The laws governing concessions for its use are very liberal; but there is little opportunity to develop such sites on a large scale, because there is no market for the current.

In Guayaquil, the main port of Ecuador, American generators are used, driven by Swedish oil engines; but in the interior hydro-electric plants are used. There are no less than 22 central stations, but, with the exception of four of the larger plants, the average capacity of the plant now installed is only 50 kilowatts.

American machinery is in practically universal use, and British manufacturers would probably experience considerable difficulty

in making any substantial headway in the market. Furthermore, as it is estimated that no towns are without electric light whose requirements would call for a generator larger than 35 kilowatts, it would seem clear that future hydro-electric development will depend largely upon the not very probable augmentation of the mining and manufacturing industries.

3(e) Railways.—The main railway of the country, from the port of Guayaquil to the capital, Quito, covers a distance of 287 miles, mostly through mountainous country presenting extraordinary engineering difficulties. This concern is an American corporation promoted mainly with British capital.

Other railroads are in process of construction, and a few short lines are now operating, but none of them is as yet of national importance.

4. DOMESTIC MANUFACTURES.

Ecuador is not at the moment what may be termed a manufacturing country.

Its manufactures are limited to cloth, boots, carpets, curtains, hats, matches, cigarettes, cigars and sugar. The market, therefore, has to rely on imported goods, which are predominantly of American and German origin.

The machinery used in the above-mentioned industries is chiefly American and British.

5. EXTERNAL TRADE.

The following table shows the distribution of the foreign trade of Ecuador in 1913 and 1922 :—

Exports (million sucres).

To	1913.	1922.
France	11·1	3·9
U.S.A.	7·9	18·0
Germany	5·4	5·7
United Kingdom	3·3	3·0
Total	32·5	46·1

Imports (million sucres).

From	1913.	1922.
U.S.A.	5·8	15·4
United Kingdom	5·4	9·5
Germany	3·2	2·5
Total	18·2	33·4

It will be seen that the U.S.A. considerably increased its share of the import trade, the proportionate share of the United Kingdom remained practically unchanged, while that of Germany* substantially decreased.

* German exports to Ecuador were valued at 5,600,000 reichsmarks in 1924 and at 4,800,000 marks in 1913.

PERU.

Population (1921) ... ... 5,000,000 (estimated).

(No census has been taken since 1876.)

British Trade Returns.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Peru	1,125	1,488	2,531
U.K. re-exports to Peru	141	104	73
U.K. imports from Peru	2,513	3,178	8,607

Peruvian Trade Returns. *Special Trade (including bullion and specie).	1904. (1,000 £.P.)	1913. (1,000 £.P.)	1923. (1,000 £.P.)
Total imports...	4,357	6,089	14,132
Imports from United Kingdom ...	1,588	†1,599	2,866
Percentage from United Kingdom	36·4%	26·3%	20·3%
Total exports	4,067	9,137	23,951
Exports to United Kingdom ...	2,014	†3,403	7,950
Percentage to United Kingdom ...	49·5%	37·2%	33·2%

* Official values. † Includes a small trade with Canada.

Currency.—The unit of Currency is the libra, or Peruvian £. The £ sterling is quoted as at a premium or discount compared with the Peruvian £. The annual average rates of exchange during the past five years have been as follows :—

1920 ... 18¼% discount. 1922 ... 13·414% prm.
1921 ... 4⅓% prm. 1923 ... 9·66% prm.
1924 ... 7·469% prm.

1. GENERAL.

Peru has been subject to sporadic revolutionary outbreaks in one part or another, but their importance as a deterrent to trade is small.

2. FINANCIAL.

At the end of June, 1923, the total public debt of Peru was given as follows :—

	£P.
Internal	7,385,662
External	4,366,660
Total ...	£P.11,752,322

A deficit was shown in 1922; and in spite of a new Budget Law passed in 1922 with the object of regulating the manner of compiling the budget estimates and retaining some sort of equilibrium between receipts and payments, the year 1923 also showed a deficit.

3. ECONOMIC DEVELOPMENT.

3(a) Mining.—The mineral production of Peru was valued as follows :—

	£P.
1903	1,382,080
1913	4,495,753
1921	8,348,635
1922	10,344,667
1923	11,864,006

In 1920 *petroleum* ousted *copper* from the first place in the mineral wealth of the country. In the production of *silver* Peru is only surpassed by Mexico and the United States.

Gold and coal are also produced to some extent, as also are lead, bismuth and vanadium.

3(b) Agriculture.—The principal products are cotton, sugar, wool, hides and skins, rubber, rice and cocoa.

3(c) Hydro-electric Development.—Peru has not advanced greatly in hydro-electric development. On the western slope of the Andes there are numerous streams, but all very small. In the dry seasons these dwindle almost to nothing. Large quantities of water are used for irrigation. For utilisation for electrical purposes storage reservoirs would be essential.

On the eastern slope there are steep descents, and, in addition, plenty of water, either from the melting snows, or from the heavy rains that fall at nearly all times during the year. It is in this region, on account of its proximity to the rich mineral deposits that are being worked on a larger scale every year, that any large future developments may be anticipated.

Lima, the capital, has various generating plants using both steam and hydraulic power. Arequipa, the second city, has a hydro-electric plant, as have also Cuzco, Huancayo, and the famous Cerro de Pasco Copper Co.

Amongst the machinery used by the above-mentioned plants is found American, Italian, German and British.

3(d) Railways.—The Peruvian railways total about 2,100 miles, of which some 90 per cent. is owned by the Peruvian Corporation, of London. Most of the rolling stock comes from the United States.

The revenue from the Government Tobacco Monopoly is by law to be set aside for railway construction. The net revenue, which is annually increasing, amounts at present to well over

£P.500,000, but out of this sum certain debt charges, amounting to nearly £P.200,000, have to be met.

3(e) Roads.—These are scarce, although considerable improvements have been made in those immediately tributary to Lima and its port, Callao. However, a considerable time must elapse before Peru can be considered as a market of any importance for British motor-cars and lorries.

4. INDUSTRIAL POLICY.

Peru is primarily a producer of raw materials and an importer of the manufactured article.

Attempts have been made to foster industry in the country, and the highly protective customs tariff will no doubt help in that direction. The Peruvian himself, however, has not been found eager to invest capital in starting industrial enterprises, and those which have sprung up have been for the most part the result of foreign initiative.

Copper smelting employs the largest number of hands; and there are sugar, cotton, flour and lumber mills, cotton ginneries, tanneries, cotton-seed oil, soap, biscuit and chocolate factories, and several foundries making small machinery parts.

Boots and shoes, hats, bottles, and, on a small scale, brooms, are also manufactured.

It will thus be seen that the industries of Peru offer in themselves small hindrance to British importations, although mention must be made of the admirable tweeds woven at Arequipa from wool from the Government Sheep Farm at Puno. The sheep on this farm are all from high-grade imported stock. They are under the charge of a Scotch manager and shepherds, and a number of Scotch foremen are employed in the mills.

5. EXTERNAL TRADE.

Like most agricultural countries, Peru is a country whose purchasing power, year by year, depends largely upon the production of, and the prices ruling for, her staple products, which in her case are sugar, cotton, petroleum and copper.

Around the capital itself, retail trade depends not a little upon the spending capacity of the Government and, when the latter's funds for carrying on the administration are low, retail buying becomes almost stagnant.

PERUVIAN EXPORTS.

—	1913.	1922	1923.
To United States of America	$10,825,000	$15,872,000	$23,811,000
To United Kingdom ...	£3,178,000	£7,470,000	£8,607,000

PERUVIAN IMPORTS.

—	1913.	1922.	1923.
From United States of America	$7,609,000	$14,037,000	$19,775,000
From United Kingdom	£1,592,000	£1,789,000	£2,604,000

The greater part of Peru's foreign trade, both exports and imports, is with the U.S.A. and the United Kingdom. In 1923 the U.S.A. took 40 per cent. of Peru's exports, and Great Britain 33 per cent. Imports from the U.S.A. have increased considerably more in value, as compared with 1913, than those from the United Kingdom.

6. COMPETITIVE SITUATION.

American competition is the most formidable, largely owing to the factors of price and the greater attention paid to advertisement. In 1923, 40 per cent. of Peru's imports came from the U.S.A. and 20 per cent. from Great Britain.

German goods, which are appearing in the Peruvian market in increasing quantities, appeal to the poorer—and therefore to the greater—section. They consist mainly of paper and paperware, machinery, cement, electrical appliances, metal goods, chemical products, musical instruments, furniture, toys, malt, and some cottons and woollens.

Japan, whose exports to Peru mostly consist of foodstuffs and silks, competes in cotton goods.

It should not be overlooked that British commerce in Peru flows through well-established channels; its development owes much to the enterprise of British houses in the country with head offices in the United Kingdom. German trade is also considerably benefited through the German firms established in the country.

British houses in Peru, however, as others, buy in the best market—that is, usually, the cheapest—to meet their requirements, and the mere fact that British firms have a secure footing in Peru does not necessarily mean that British goods find a readier market than competitive articles from other countries.

PARAGUAY.

Population (1917) ... ... 1,000,000 (estimated).

British Trade Returns. Merchandise only.	1913. (£1,000.)	1923. (£1,000.)
United Kingdom exports to Paraguay ...	195	136
United Kingdom re-exports to Paraguay	2	1
United Kingdom imports from Paraguay	9	12

Paraguayan Trade Returns.	*1913. 1,000 dollars (gold).	†1923. 1,000 dollars (gold).
Total Imports	8,120	8,571
Imports from United Kingdom	2,324	1,958
Percentage from United Kingdom ...	28·6%	22·9%
Total Exports	5,631	12,472
Exports to United Kingdom	1	151
Percentage to United Kingdom ...	—	1·2%

* Official Values. † Real Values.

Currency.—The monetary unit is the gold dollar, nominally worth 4*s.*, but the actual currency is paper, the rate for which was about 240=£1 at the end of 1924. Argentine gold and paper are also used.

1. GENERAL AND FINANCIAL.

The development of Paraguay's foreign commerce is influenced considerably by the political situation. The violent and destructive civil war which has been waged for two years has, however, come to an end and there is a reasonable hope that, in view of the extraordinary recuperative powers of the country, production and trade may soon reach a normal state.

The budget for the last two years has not been discussed owing to the failure of Congress to assemble. The 1921-22 budget, therefore, remains in force. This shows an estimated revenue of £689,655 and an expenditure of £782,970 To the figure for expenditure must be added the cost of quelling the late rebellion, which is believed to have been exceptionally heavy.

The possibility of stabilising exchange and stemming further depreciation of the paper currency by converting the entire amount in circulation at a fixed rate appears to be more remote than ever. Failing a considerable influx of new capital, the outlook for the national finances is not very hopeful, the only apparent solution of existing difficulties being a new loan. It would, however, be no easy task to devise acceptable security for a loan of the amount required for conversion of the paper currency (say £1,000,000).

The public debt on 31st December, 1922, was :—

	£
Foreign debt	1,315,152
Internal debt (approx.)	501,750
Unguaranteed currency (approx.)	822,054
	£2,638,956

2. INTERNAL ECONOMIC DEVELOPMENT.

2(a) Agriculture.—Although the soil is fertile and the climate favourable to many sub-tropical products, the principal produce of the country is derived from the pastoral industry, and from forestry. The production of such important forest products as timber, yerba-mate and quebracho entails little or no cultivation.

Cotton.—A sudden demand caused by the shortage of the United States cotton crop gave a decided impetus to the cultivation of cotton in Paraguay. The crop for 1924-25 has been forecasted at 28,000 bales (of 478 lbs.).

Yerba-mate.—The production of Yerba-mate, or Paraguay tea, which is peculiar to the country, is one of its most extensive and lucrative industries. A steady demand exists in Argentina for three or four times the quantity at present imported from Paraguay, and, in addition to intensified operations in the natural forests where the tree grows wild, the cultivation of the Yerba tree from seed is being initiated, principally by Germans, on a scale likely to place the industry on a sound footing.

Timber.—This, the most important industry of Paraguay, has suffered severely from the consequences of political unrest, which involved the suspension of railway traffic. At present operations are limited mainly to supplying timber for railway and construction work and quebracho logs for the tannin factories, thousands of miles of forest being still untouched owing to transport difficulties.

Tobacco.—The tobacco industry is declining in importance; many of the planters have turned their attention to the growing of cotton, owing to the good prices paid for this crop.

Other crops.—Other important crops are sugar, of which there was a surplus for export for the first time in 1920, and oranges, which are grown throughout the country for the Argentine market.

2(b) Cattle and Meat-packing.—After a long period of depression in the stock-breeding industry, a slight improvement has set in, due in no small measure to the opening in 1923 of a meat-packing plant by a British company. This industry, however, under normal conditions experiences difficulty in competing with the Argentine.

2(c) Mining.—There is no commercial exploitation of the country's mineral resources, but deposits of iron, copper, limestone and marble are known to exist.

2(d) Railways.—The only standard gauge railway is the Paraguay Central Railway, a British company. There has been no railway construction for many years, other than the extension of light railways belonging to the tannin companies. This does not, however, assist in solving the problem of transport, a vital one for Paraguay.

2(e) Roads and River Transport.—Roads in the country districts are mere bullock tracks, and it is stated that the Government, realising the backwardness of the country in matters of communication, has in view some plan of road construction. The country is splendidly provided with natural water-ways which, although extensively used, need cleaning, and in some parts dredging, to be efficient. The Argentina Navigation Company operate a service of river steamers between Buenos Aires and Asuncion, and a Brazilian service runs from Montevideo to Corumba (Brazil).

3. INDUSTRIAL POLICY.

A few local industries exist, their output being intended to replace in some measure more expensive imported articles. Some small progress has been made in soap, brewing, tannin, cement, brick-making, milling; but the lack of suitable labour is a serious hindrance to the success of any manufacturing industries which demand a high degree of skill in their operatives.

The customs tariff is based on that of Argentina, and a certain protection has been afforded to the above-mentioned local industries by means of an increased tariff; but it has not yet resulted in any great strides being made in those industries.

4. EXTERNAL TRADE DEVELOPMENT.

The following figures show the state of foreign trade in 1913 and 1923:

VALUE IN DOLLARS (GOLD).

—	Imports.	Exports.	Balance of trade.
1913	$8,119,997	$5,630,929	— $2,489,068
1923	$8.571,220	$12,471,555	+ $3,900,335

It is worthy of note that, while adverse trade balances were the rule previous to 1915, a favourable balance has consistently been recorded since that year.

Exports.—The share of the foreign export trade obtained by the principal countries is shown in the following table:

Country.	Thousand dollars (gold).		Percentage.	
	1913.	1923.	1913.	1923.
Germany	1,236	6	22	—
United States ...	—	1,123	—	9
Argentina	3,516	9,817	62	80
Uruguay	695	771	12	6

It will be observed that most of Paraguay's exports go to Argentina, whence a large portion is re-shipped to the U.S.A. and Europe. U.S.A., which did not before the war figure as a direct importer of Paraguayan produce, now occupies the second place on the list, with 9 per cent. of the total exports.

The total value of exports for 1923, viz., $12,471,555, shows an increase of $2,575,670 over 1922, and this increase is well distributed over the whole range of native products detailed in the following table, which have in many cases more than regained the position held in 1913.

The principal products exported are given in the following table :

Animal products.	Quantities.	1913.	1923.
Cattle	No	336,564	—
Hides	piece	312,532	325,700
Jerked beef	metric tons.	1,714	1,331

Agricultural Products.	Quantities.	1913.	1923.
Oranges	dozen ...	14,003,337	18,524,500
Tobacco	metric tons...	5,426	8,151
Yerba mate...	metric tons...	4,267	11,197
Petit grain oil	metric tons...	33	59
Quebracho extract	metric tons...	11,721	35,139
Logs...	metric tons...	21,044	27,605
Timber, trimmed	pieces ...	100,000	70,000
Fence spacers	pieces ...	685,734	1,937,890

Altogether, the outlook for the export trade is brighter than for several years past, and, while commerce has perhaps not yet had time to recover from the effects of recent political disturbances, an improvement in the purchasing power of the country may be expected.

Imports.—Although the imports in 1923 showed an increase of $2,886,430, or 50 per cent., on 1922, the volume of 1913 has not yet been reached, if regard is had to the present enhanced values.

The United Kingdom is now second only to Argentina in the list of Paraguay's suppliers, with an increase of 49 per cent. on the value of her 1922 shipments; but she has not attained the percentage of the trade held in 1913.

America, on the other hand, has more than doubled her share of trade since 1913, and Argentina occupies the leading position with 34 per cent. of the total imports.

In explanation of the large imports from Argentina, it should be mentioned that a considerable proportion of this figure represents goods of British and American origin which pay Argentine

Customs duties, and therefore are given as Argentine exports to Paraguay. Paraguayan importing firms frequently prefer to effect their purchases in Buenos Aires, in spite of slightly increased cost, in order to secure prompt delivery and to avoid the risk run by small direct shipments from overseas.

The following table shows the position occupied by the leading countries engaged in Paraguayan import trade:—

Country.	Thousand dollars (gold).		Percentage.	
	1913.	1923.	1913.	1923.
From				
United Kingdom ...	2,324	1,958	28·6	22·8
Germany	2,244	494	27·6	5·8
United States	488	1,346	6·0	15·7
France	537	159	6·6	1·9
Spain	430	156	5·3	1·8
Italy	495	250	6·1	2·9
Argentina	1,090	2,948	13·4	34·4
Brazil	46	696	·6	8·1
Uruguay	60	221	·7	2·6

Textiles.—In 1923 the United Kingdom obtained 40 per cent. of this trade, the U.S.A. 17 per cent., and Brazil, who has only lately begun to export textiles to Paraguay, 15 per cent. The U.S.A., whose textile shipments to Paraguay were negligible before the war, has made rapid strides, especially in the supply of cotton cloth. Germany, who in 1913 was the second largest supplier, is again beginning to enter the market.

Iron and Steel.—The largest imports are from Argentina, but include re-exports of transit goods of European and American origin.

The United Kingdom secured only 16 per cent. of this trade in 1923 (compared with 27·6 per cent. in 1913), whilst both Germany and U.S.A. each obtained over 20 per cent. The improvement in America's share, in spite of the high dollar exchange, is due solely to lower prices, since United States suppliers are stated to be backward in granting credit facilities.

German hardware, tools and agricultural implements have been sold at prices which do not allow of competition.

Foodstuffs.—Of this group, including foodstuffs, beverages, grain, etc., 73 per cent. is received from Argentina, whilst the remainder is distributed amongst many countries. Argentine exports under this heading may be considered to be true exports, in contrast to the large transit trade, and consist largely of flour, grain, cattle and wine.

Chemicals.—As before the war, commodities in the chemical and drug group are chiefly of United States origin, but in an even greater proportion.

5. BRITISH TRADE POSITION.

Owing to the remote situation of this market, which lies some 1,000 miles north of Buenos Aires, and is reached only by river and by one railway line, British and foreign firms frequently decide that the volume of trade to be secured does not justify the appointment of a representative in Asuncion, and endeavour to handle the business through an agent in Buenos Aires.

It is true that the 900,000 or 1,000,000 people of Paraguay probably only represent a buying capacity of a city of 150,000 in an older or more prosperous country such as the United Kingdom or the U.S.A. The inhabitants are of Guarani Indian, European (chiefly Spanish) and Negro blood, and approximately 60 per cent. are illiterate. Asuncion, the capital, has a population of 100,000 or 10 per cent. of the total population, but represents at least 25 per cent. of the country's buying capacity.

The potential development of Paraguay, however, renders it a market worthy of attention, and British firms are recommended to consider the market as a separate entity rather than as tributary to the Argentine market.

British goods still enjoy a good demand, and the American gain in the total import trade has been largely at the expense of Germany, who occupied an exceedingly strong position in this market before the war.

It is difficult to analyse the increased imports from Argentina, including American, German and British goods imported through houses in Buenos Aires, in order to learn to what extent this increase represents a gain to British trade. Nevertheless, it may be deduced roughly that, whilst the United Kingdom has retained her share of the textile trade, she has not been similarly successful in the iron and steel group, where ground has been lost to Germany and the U.S.A.

URUGUAY.

	1908.	1913.	1923.
Population ...	1,042,686 (census)	1,279,000 (estimated)	1,602,000 (estimated)

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Uruguay	1,347	2,916	3,146
U.K. re-exports to Uruguay ...	62	96	112
U.K. imports from Uruguay ...	588	2,749	4,856

Uruguay Trade Returns. Special Trade.	1904. (1,000 gold pesos.)	1913. (1,000 gold pesos.)	1923. (1,000 gold pesos.)
Total Imports*	21,217	50,353	†50,510
Imports from United Kingdom* ...	5,350	12,314	†11,592
Percentage from United Kingdom	25·2%	24·5%	22·9%
Total exports*	38,485	68,496	100,787
Exports to United Kingdom* ...	2,467	7,672	28,587
Percentage to United Kingdom...	6·4%	11·2%	28·4%

* *Imports* are valued in each of the years named at "Official" rates; *Exports* are valued at "Official" rates for 1904 and at "market values" for 1913 and 1923. The statistical authorities of Uruguay appear to have assumed that the "official" values of imports in 1913 did not differ materially from their "market" values in that year.

† 11 months, January—November.

Currency.—The unit of currency is the peso. The par rate of exchange is 51 pence to the peso. The annual average rates of exchange during the past five years have been as follows:—

1920	60·11	1922	43·320
1921	43·425	1923	41·562
1924	44·799		

1. GENERAL AND FINANCIAL.

Uruguay has for many years past enjoyed a period of stable political conditions, which has given every facility to the development of foreign commerce.

The situation of the national finances in Uruguay has, however, of recent years been somewhat unsatisfactory. The Budget for 1922-23 resulted in a deficit of seven million gold pesos. Government expenses increased 46 per cent. between 1916 and 1921, whilst revenue only increased 21 per cent., and there has been a budget deficit for several years past.

Public Debt.—The public debt at the end of 1923 amounted to 178,603,000 gold pesos, compared to 136,298,859 gold pesos in 1913, and was composed of—

	$
Internal	47,509,447
External	128,850,536
International (Brazilian) ...	2,243,000

2. ECONOMIC DEVELOPMENT.

Uruguay can be considered a one town Republic, as Montevideo, its capital, besides being the industrial and commercial centre, is also the distributing centre of the country, about 95 per cent. of the imports and exports passing through this port.

2(a) Meat Trade.—The basis of the whole of the political economy of Uruguay is the meat trade. In an average season the country only produces sufficient cereals for her own use and

cannot, therefore, like Argentina, be considered a grain-exporting as well as a cattle-producing country.

During the war, and a year or two after, the value of cattle rose, and large profits were made from the export of meat and wool; but, subsequently, the " camps " became overstocked and difficulty was experienced in meeting competition from Argentina.

2(b) Agriculture.—The area under cultivation remains more or less stationary, namely some 600/700,000 hectares, and is so small that a serious shortage is liable to be produced by any unfavourable weather. Uruguay used at one time to export a considerable quantity of wheat and flour. The area now occupied by the cultivation of wheat is only 2 per cent. of the total area of the country, and it is estimated that, even were only 6 per cent. of the total area utilised for this purpose, an excess of 500,000 tons of wheat could be raised for export. Cattle raisers are, however, unwilling to place more of the land under cultivation, maintaining that conditions are too variable to permit of a profitable increase in agriculture.

The main crops grown are wheat, maize, linseed and oats.

2(c) Railways.—There has been no railway construction since 1913, and, of the total railway mileage of 1,625, only 139 miles are State lines, the remaining 1,486 miles being operated by British capital.

2(d) Roads.—The latest official figures show the road mileage to be unaltered since 1913, viz. :—

2,240 national roads.
3,100 departmental roads (of which 300 miles are macadamised).

Further road construction is, however, now being proceeded with, and Uruguay, unlike Argentina, possesses adequate material for this purpose within the country.

2(e) Minerals.—A little gold is produced in the Department of Rivera : otherwise no mineral deposits of sufficient importance to warrant commercial exploitation have been discovered.

2(f) Water Power.—Negotiations are in progress with the Brazilian Government to harness falls on the river Yaguaron on the Brazilian-Uruguayan frontier for the generation of power. Otherwise no use of water-power is made at present, the configuration of the country in the vicinity of Montevideo not providing any possibility of doing so.

3. INDUSTRIAL AND COMMERCIAL POLICY.

Efforts have been made to attain economic stability in Uruguay by the raising of loans, the increase of taxation, and the development of domestic industry.

Owing to her lack of resources in coal, iron and other raw materials, Uruguay is not likely to become a manufacturing

country, but progress may be made in many minor industries, such as the finishing of semi-manufactured goods.

In order to foster local industry a measure is to be introduced granting to every new factory or industrial establishment exemption for 10 years from customs duties on the machinery, apparatus, and construction materials employed, and also from property and licence taxes.

The importation of certain classes of goods, other than those of prime necessity, has been restricted by increased tariffs.

3(a) State Monopolies.—In the past Uruguay has declared as State monopolies the tobacco industry, insurance, port works, all electric and hydraulic plants, sealing and fishing industries. Private firms, however, still operate many of these industries, and most of the monopolies are subject to the contracts of existing companies.

The State also operates the State Mortgage Bank, the State Insurance Bank, and the Bank of the Republic, which is the sole bank of issue in the country.

4. EXTERNAL TRADE.

Although the foreign trade of Uruguay has improved considerably since the depression of 1921, it has not yet regained pre-war proportions if regard be had to the increase of value.

—	Export. (Market Values.)	Import. (Market Values.)	Balance.
	(Millions of gold pesos.)		
1913	68·5	50·4†	+18·1
1922	77·5	81·8	— 4·3
1923	100·8	*	—

* Figures in market values not yet available.
† *See* note * on page 530.

Adverse balances of trade have been experienced for the past few years. The purchasing power of the country is entirely dependent on the demand for wool and frozen meat in Europe and the United States of America, but the present conditions of the market for these products do not indicate the probability of increased purchases of manufactured goods by Uruguay in the near future.

The chief *exports* are :—

—	1913.	1921.	1922.	1923.
	(Millions of gold pesos.)			
Meat	14·6	21·1	31·3	42·9
Fats	2·4	1·5	3·2	4·5
Wool	30·7	31·7	21·3	27·7
Hides	12·7	11·4	16·9	19·2

Imports.—The volume of Uruguay's imports is increasing, but she is dependent largely on the re-establishment of the European market for a return to her normal economic prosperity.

More than 90 per cent. of the Uruguayan exports are products of the stock raising industry, on the sale of which, chiefly to the United States of America and United Kingdom, the Republic relies for the purchase of all such articles as industrial raw materials, machinery, building materials, coal and other fuel, textiles, hardware, and the larger part of its food products, groceries and beverages.

The following table shows the imports from principal countries in 1913 and 1922.

Country.	Imports (Value).			Percentage of Total Imports.		
	1913.* (1,000 pesos.)	1922.* (1,000 pesos.)	1923.‡ (1,000 pesos.)	1913. (%)	1922. (%)	1923. (%)
From :						
United Kingdom ...	12,314	15,865	11,592	24·5	19·4	22·9
United States of America	6,418	17,432	10,340	12·7	21·3	20·5
Germany	7,811	8,477	5,167	15·5	10·4	10·2
France	4,099	2,852	2,378	8·1	3·5	4·7

* " Market " values. *See also* note * on page 530.
‡ 11 months, January–November (official values).

5. COMPETITIVE SITUATION.

The United Kingdom has practically regained her position as Uruguay's principal supplier, a position which had been lost to the United States during the war.

Especially may be mentioned the improvement in the imports of British textiles.

U.S.A. Competition.—The U.S.A. has of recent years lost the leading position in the Uruguayan import trade which she gained during the war. This loss has been due chiefly to the increased prices of U.S.A. goods consequent on the high dollar exchange.

The chief exports from the U.S.A. to Uruguay are automobiles, petroleum products, sugar and lumber. Coal, which figured largely in the lists of imports from the U.S.A. for 1920 and 1921, has recently reappeared.

The U.S.A. also heads the list of suppliers in the iron and steel group.

German Competition.—Germany has recovered a considerable part of her pre-war share of the imports into this country during the last few years, and every means of price and novelty is employed to attract the Uruguayan buyer. Among the articles

in which Germany is chiefly interested are chemicals, drugs and dyes, and electrical goods, but no possible branch of trade is neglected. German manufacturers have of recent years frequently underbid the Sheffield steel trade in the matter of Government contracts.

Belgium has also made considerable headway in the Uruguayan market in the iron and steel group, and particularly has been able to quote low prices for rails and locomotives. A Belgian commercial mission which visited Uruguay in 1922 carried out an extensive programme of commercial and industrial propaganda.

Principal Items of Import.—*Fuel.*—The quantity of fuel imported into Uruguay represents 20 per cent. of the total imports. The bulk of the coal trade is in British hands. Petroleum is imported from the U.S.A.

Foodstuffs are drawn largely from neighbouring countries such as Argentina and Brazil, but there are also imports from the U.S.A.

Textiles form 10 per cent. of the total imports. The latest available figures show that the United Kingdom holds the first place with 25 per cent. of the trade, whilst the United States has roughly 12 per cent.

Iron and Steel Hardware.—The chief supplier of goods in this category is the U.S.A. Other countries participating in this trade are the United Kingdom, Germany and Belgium. The United Kingdom's position has been lost owing to the high price of British goods compared with American and Belgian.

VENEZUELA.

Population (1920) 2,411,952

British Trade Returns. Merchandise only.	1904. (£1,000.)	1913. (£1,000.)	1923. (£1,000.)
U.K. exports to Venezuela	722	826	1,554
U.K. re-exports to Venezuela ...	4	14	12
U.K. imports from Venezuela ...	187	560	504

Venezuelan Trade Returns. General Trade. (Including Bullion and Specie.)	1913. (1,000 Bolivars.)	1923. (1,000 Bolivars.)
Total imports	93,420	143,419
Imports from United Kingdom	20,698	34,895
Percentage from United Kingdom ...	22·2%	24·3%
Total exports	152,766	156,704
Exports to United Kingdom	3,974	8,123
Percentage to United Kingdom ...	2·6%	5·2%

Currency.—The unit of currency is the bolivar. The par rate of exchange is 25·25 bolivars = £1. The rate at the end of 1924 was 24·50.

1. GENERAL.

President Gomez has held effective power since 1908. The population, of approximately 2,400,000, consists mainly of Indians and mixed breeds, with low purchasing power.

2. FINANCIAL.

Conditions in Venezuela are in marked contrast to those prevailing in some of the sister Republics. The country was not severely affected by the war, and it has the great advantage of a stable currency. Provided internal peace is maintained, there seems no reason why there should not be a steady development of its rich and varied resources.

3. INTERNAL DEVELOPMENT.

3(a) Mining.—Mining is a minor industry of the country. There are some gold and copper mines, and a copper smelting plant has been erected.

3(b) Petroleum.—The exploitation of petroleum on commercial lines is of recent date, and the capital invested in the industry is practically all British or American, in proportions, to-day, about equal.

Up to the end of 1923, the only petroleum exported from Venezuela was that produced by the Caribbean Petroleum Company, an organisation registered in the United States but allied with the Royal Dutch Shell interests. The production of this Company rose from 13,000 metric tons in 1917 to 335,000 metric tons in 1922.

The outlook for the industry is considered to be promising, the great problem confronting it being that of transportation. The two important arteries for water-borne transport in Venezuela are the Lake of Maracaibo and the Orinoco river, neither of which has a draft of over 11 feet at the mouth, even at high tide.

3(c) Agriculture.—The principal occupations of the people are in agriculture and cattle raising; the principal agricultural products are coffee, cocoa, sugar, cotton, tobacco and maize, and the total head of cattle is estimated at over 3,000,000. The forest regions produce balata and a variety of tropical products, including various kinds of valuable timber.

3(d) Industry.—Manufacturing industries are on the increase, though they do not at present cover a very wide range. Among the articles manufactured at present are the ordinary kinds of cotton textiles, sole leather, common soap, candles, glass, cement, cigars and cigarettes.

3(e) Hydro-Electric Development.—Water-power is plentiful, owing to the mountainous nature of the country and its

numerous streams, many of which are of considerable size. The use of electricity, however, is confined to a narrow strip of territory along the coast, but there are towns along the Orinoco river which may in time require it. Caracas has a hydro-electric plant, and so have La Guaira, Valencia, Merida and Maracaibo. Mining does not utilise much electric power in Venezuela, inasmuch as the mines are located so far from ports or railways that the transportation of machinery is difficult. The South American Copper Syndicate, however, which operates the only producing copper mines in Venezuela, has a hydro-electric plant. It is understood that American machinery predominates.

3(f) Railways.—There are some 625 miles of railway now open to traffic, of which 250 miles, representing four railways, are in British hands. These include the two short but very important lines from the ports of La Guaira and Puerto Cabello to Caracas, the capital, and Valencia, the second town, respectively.

The line from Caracas to Valencia, of about 115 miles, and also of great importance, is German owned.

The remaining mileage is Venezuelan.

3(g) Roads.—The Gomez Government has devoted much attention to the construction and improvement of the roads; and between the main towns motor traffic, and even heavy lorries, can proceed, although great care has to be exercised owing to the mountainous nature of most of the country through which the roads pass. In the dry season it is possible, though by no means easy, to proceed from Caracas by motor as far south as the Orinoco.

4. EXTERNAL TRADE.

The following table shows the distribution of the foreign trade of Venezuela in 1913 and 1923:—

	Exports (million bolivars).	
To	1913.	1923.
*France	51·8	14·0
*U.S.A.	43·9	42·2
Germany	28·8	7·6
*United Kingdom ...	11·4	13·5
Total ...	152·8	156·7

	Imports (million bolivars).	
From	1913.	1923.
*U.S.A.	36·0	70·0
*United Kingdom ...	22·3	35·9
Germany	13·4	12·8
France	5·7	7·1
Total ...	93·4	143·4

* These figures include the Colonies.

The conditions of trade in Venezuela do not differ in any important particulars from those in Central America, Colombia, Peru, etc.

The chief competitors of the United Kingdom for the trade of Venezuela are the United States, Germany, France and Spain. As will be seen from the figures given above the United States heavily preponderates. In 1923, Germany had recovered only about two-thirds of her 1913 share in the import trade.

CHAPTER II.

DOMINION AND FOREIGN CUSTOMS TARIFFS: COMPARISON OF RATES AND EFFECT OF CHANGES.

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CHANGES IN CUSTOMS DUTIES ON CERTAIN IMPORTANT BRITISH EXPORTS.

Introductory Note.

The tables on pages 555-85, prepared, at the request of the Committee, by the Board of Trade, show the tariff rates applicable in 1914 and in October, 1924,* to certain articles of British production on importation from the United Kingdom into the overseas markets which in 1913 were the most important in relation to each article. The object for which the tables were compiled was a strictly limited one. The tables were not designed to show the effect of foreign and colonial tariffs as a whole on the export trade of this country, but to enable an approximate answer to be given to one particular question which, at the present time, presents considerable interest in connection with the inquiries of the Committee. This question is whether and, if so, to what extent, there has been a " real " rise in the rates of customs duties imposed by overseas countries on our exports since the year immediately preceding the war. By a " real " rise of tariff rates is here meant such a rise in the duties chargeable per unit of product as exceeds the general rise which has, in the meantime, taken place in the price level of the articles exported. It is evident that, in view of this general rise in the level of prices, a stationary " specific " tariff would now have a lower *ad valorem* incidence than before the war. It is therefore clear that a comparison of the incidence of tariffs per unit of product will yield results differing widely from those of a comparison based on units of value. Which of these two methods of comparison is the most useful depends upon the object in view. For many purposes the various elements of cost of a product are necessarily measured and compared on an *ad valorem* basis. On the other hand, the rise in price which limits consumption is a rise per unit of product.

The method pursued in the present investigation is, first, to estimate the percentage change in customs duties on a " specific " basis, and afterwards to correct this result for purposes for which an *ad valorem* basis is required by applying the index number representing the general rise of export values. The first step towards solving the problem has been to select a certain number of important and typical commodities which are largely exported, which are sufficiently " standardised " to be fairly comparable over a period of ten years, and which are sufficiently defined to be more or less clearly traceable in the customs tariffs of all important overseas countries.

The next step has been to ascertain the markets which in 1913 absorbed the greater part of our exports of each of the 33 selected

* The principal Tariff changes since the Tables were prepared and up to date of publication (June, 1925) are (*a*) the enforcement of the new Belgian Tariff in November 1924; and (*b*) the proposed new Tariff of the Union of South Africa (April 1925).

articles. The reason for selecting the markets according to their pre-war rather than their present importance was to eliminate a source of error which might otherwise tend to vitiate the results. For, if regard were limited to markets which, at the present time (*i.e.* after the tariff changes which it is proposed to measure), are the most important, it might well be that the markets so selected would be predominantly those which have been least restricted by tariff increases. In such event the results yielded would not be a fair average.

The third step has been to ascertain the tariff rates applicable to each of the articles on importation into each of the selected markets in 1914 and in 1924. This task has been greatly complicated by the great diversity of basis of customs tariffs in the different countries of the world. Some duties are specific, some *ad valorem*, some a combination of the two. In the case of specific duties the units to which the duties are applicable vary very widely. Such duties may be levied according to weight, size, number, or any combination of these units. Finally, we have the additional complication arising from recent fluctuations in the gold or sterling value of national currencies. In the tables as printed there has been no attempt to reduce all duties to a common denominator, but evidently such a reduction is a necessary preliminary to the application of any method of averaging the results, or of constructing an index number based thereon.

Accordingly an effort has been made, so far as the imperfect data available permit, to express all the tariff rates *on the same article* approximately on the same basis. The success attained in this effort has been only partial, since a considerable number of *ad valorem* rates could not, on the available data, be converted even approximately into specific rates. Where these cases seemed sufficiently important, it became necessary to divide the markets for the article into two groups, viz , those in which the duties are *specific* and those in which they are *ad valorem*. In order to make the change in *ad valorem* duties comparable with that in specific duties, it has been necessary to make an approximate allowance for the change of price level in the meantime. Among the many other difficulties which have only been imperfectly overcome has been the conversion of units of quantity (*e.g.* yards into cwts or vice versa). It has not been thought necessary to reproduce the details of the working calculations and estimates that have been necessary in order to obtain some approach to uniformity of basis.

The next step has been to find the unweighted average (or arithmetic mean) of the duties in different markets on the same article at the two dates. The percentage increase over the period compared can then be readily calculated, and it has been assumed that this percentage represents roughly the average increase in overseas tariffs applicable to the article in question. Needless to say, the average obtained in this way is not exact, since it is not ' weighted " according to the relative importance of the markets.

But, as none but important markets are included, it is not thought that any serious error is thus introduced into the final result. By the above means we obtain a series of 33 percentages ranging from 0 to 880, according to the nature of the article. The bulk, however, of the percentages lie between 30 and 150, and half of them lie between 50 and 115. The arithmetic mean of all these 33 percentages is 109, but an inspection of the figures leads us to suspect that this average is somewhat too high, being unduly raised by a small number of very great increases of duty on a few articles (*e.g.*, copper sulphate and manufactured fuel) of quite minor importance in our export trade. If the percentages, instead of being averaged as a whole, are averaged separately for each of a few great groups of industries, we find that the average increase for articles included in the " Textiles and Clothing " group was only 71·5; for the " Metal " group (including Iron and Steel, Engineering and Shipbuilding), 108·5; for coal and coke, practically zero; and for chemicals, etc., 270. If we give to each of these great groups a weight roughly corresponding to its relative importance in our export trade,* the final " index number " works out at about 80.

A very similar result is obtained by calculating the arithmetic mean of the 25 percentages between 30 and 150 (*i.e.*, excluding the four " extreme " cases at each end of the scale). This works out at 79·3. The average of the 17 percentages falling between the upper and lower " quartiles " of the series is 78.

From the nature of the case, and given the imperfections of the material, it is impossible to attach any great precision to these results. It may, however, be assumed with a high degree of probability that the average increase over the decade 1914-1924 in the import duties levied in the principal overseas markets on our leading articles of export, calculated in sterling value per unit of quantity, lies between 70 and 90 per cent. Accordingly, for the purposes of the present inquiry it may be taken to be somewhere about 80 per cent.

As the general rise in export values has probably not been less than 80 per cent., it follows that, on a broad view of the matter, the average *ad valorem* incidence of overseas tariffs has not materially increased.

It is hardly necessary to add that some caution is desirable in interpreting these results. If it is a legitimate conclusion that a general rise in overseas tariffs since the war has not been an important factor in checking the general recovery of British trade, it does not follow that, in particular markets or in relation to particular commodities, tariff changes may not have had a material or even a decisive influence.

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* *i.e.*, Textiles and Clothing, 10; Metal group, 5; Coal, 3; and Chemicals, 1

THE RELATIVE AD VALOREM INCIDENCE OF CUSTOMS TARIFFS IN 1914 AND IN DECEMBER, 1924,* AS AFFECTING BRITISH TRADE.

The present Memorandum gives the result of a broad comparison of the relative incidence on British trade of pre-war and present Customs tariffs in the principal foreign and Empire markets.* The comparison has been made by the method explained in the following paragraphs.

Scope of Investigation.

(a) *Countries.*—The investigation has been limited to the 18 most important foreign and Empire markets for British manufactured goods, as shown by the 1913 Trade Statistics. These markets, and the value of the exports of manufactured goods thereto, in 1913 and in 1923 (the most recent year for which figures are available) are indicated in the following table :—

Value of Exports of Manufactured Goods from the United Kingdom.

	1913. Million £.	1923. Million £.
To Empire Markets	174·8	260·3
Of which to :—		
India	67·2	82·0
Australia	31·3	54·1
Canada	20·0	23·2
Union of South Africa ...	19·6	25·5
New Zealand	9·6	18·1
These countries account for	85 per cent. of total.	78 per cent. of total.
To Foreign Markets	239·0	319·6
Of which to :—		
United States of America ...	23·1	47·0
Germany	26·9	17·2
Argentine	18·7	24·0
France (and Algeria) ...	17·7	22·0
Japan	14·2	25·8
China	13·1	17·3
Netherlands	11·6	18·1
Brazil	10·3	9·0
Belgium	8·3	12·2
Egypt	6·7	11·0
Italy	6·4	7·8
Spain	5·4	7·9
Sweden	4·2	8·5
These 13 markets account for	70 per cent. of total.	71 per cent. of total.

* Since this Memorandum was prepared, the Tariff of the Union of South Africa has been revised (April 1925).

(b) *Articles.*—The investigation has been limited to the class of articles described in the United Kingdom Trade Accounts as "Articles wholly or mainly manufactured." It does not include articles of food and drink, or "raw materials and articles mainly manufactured," and, even in the "manufactured" group, only certain typical articles have been dealt with, so that the calculations have not extended to many important descriptions of manufactures, among which may be mentioned coke and patent fuel, glass, cutlery, hardware and tools, instruments, electrical goods, manufactures of wood, silks, motor cars and cycles (and their parts and accessories), rubber tyres and other rubber manufactures, arms and ammunition, books and pictures, and linoleum.

The total exports of the groups which have been taken into account, and in each of which articles fairly typical of the group concerned have been considered, were valued at about £350,000,000 in 1913, which was over 80 per cent. of the total exports of "manufactured" goods in that year. Whilst no definite statement can be made, it may perhaps safely be assumed that the inclusion of such articles as those specified above would not materially affect the validity of the conclusions.* In any event, the selection of goods examined is wider than that used when a calculation somewhat similar to the present was made in 1904. [*See p.* 287 of "British and Foreign Trade and Industry" (Second series, Cd. 2337 of 1905).]

Method.

The single figure given for each market for each year, which is of the nature of an average, has been arrived at by a method similar to that adopted in the 1904 calculation. That method consisted, in brief, of (1) applying the tariff rates of duty to estimated prices of typical commodities (representing, as indicated above, a large proportion of the manufactured goods exported from this country), thereby obtaining a figure showing the estimated percentage *ad valorem* equivalent of the duty on that particular article; then, (2) obtaining the average *ad valorem* incidence in each trade-group (by weighting); and, (3) from these weighted averages obtaining (by a further weighting) a general average for all manufactured goods covered by the investigation. For the reasons explained in the Fiscal Blue Books, the weighting has been based on the relative importance of the goods covered in the total export trade of the United Kingdom to all destinations, and not on their importance in the export trade to the particular country concerned.

* The inclusion of silks, motor cars, etc., might have increased the average level in countries where sumptuary taxation has been adopted (*e.g.*, Germany, Japan and Sweden), but the trade in these articles, though considerable in itself, is small in comparison with, *e.g.*, that in cotton piece goods, etc., and the increase would probably not be appreciable.

The average prices (to which the duties have been related) are also, for the most part, obtained from the values and quantities of exports to all destinations, as shown in the Trade Returns for 1913 and 1924. It has been necessary to make certain assumptions as to the nature of the articles which can reasonably be regarded as " typical," since in many cases specific duties vary according to the physical properties of the article (*e.g.*, thickness of steel plate, weight of fabrics per square yard, count of yarn, weight of machine tools, etc.), and these assumptions are based as far as possible on data obtained from the Trade Figures, and in any event are made uniformly throughout, so that the validity of the results, for comparative purposes, is probably affected only slightly, if at all.*

It would need an appreciable fall, or a very considerable fall in one trade-group, to affect the figures materially.

Results of the Investigation.

The utmost that can be claimed for these figures is that they may be useful as indices for purposes of comparison as between different countries and different years when the basis on which they have been calculated is borne in mind. The figures have no meaning in themselves, and are purely relative. No one figure can give an absolute indication of the level of any country's tariff. Thus, the figure arrived at as indicating Australia's and India's tariff in 1924 is about 10 per cent. in both cases, but these simple figures, though they may be valid for comparing the general incidence on British trade of the tariffs of India and Australia (and also for comparison with the 1914 figures for those countries, arrived at by a similar calculation), are in themselves no adequate representation of the tariff systems of these two countries. For example, cottons (the most important group so far as our exports are concerned) are duty-free in Australia, but pay 11 per cent. in India; iron and steel pays 10 per cent. in Australia and 15 per cent. in India; machinery pays about 6 per cent. in both countries; manufactures of wool pay 30 per cent. in Australia and only 15 per cent. in India; and apparel pays nearly 40 per cent. in Australia and 15 per cent. in India.

The results of the calculations may now be stated, in the briefest possible form, as follows:—

The relative levels of the tariffs of the eighteen countries covered by the investigation, as applied to staple British

* *E.g.*, the Trade Returns show for certain years the weight *and* area of exported cotton, woollen and worsted cloths, so that the weight per square yard of the " average " cloth exported may be calculated.

exports, in the years 1914 and 1924, calculated in the manner above indicated, are as shown in the following statement :—

Country.	Index Number expressing the Estimated *ad valorem* Incidence of the Tariff applied to British goods in :— 1914.	1924.
Empire Countries :—	Per cent.	Per cent.
India	2¾	10½
Australia	6¼	9¾
Canada	15¼	13¼
Union of South Africa	7½	9
New Zealand ...	8¼	8½
Foreign Countries :—		
U.S.A.	19½	32
Germany	17¼	10
Argentine	24	20½
France (and Algeria)	21¾	12½
Japan	19¼	10¼
China	5	5
Netherlands	2¾	2¾
Brazil	88	41
Belgium	10	8½
Egypt	8	8
Italy	18¼	15¾
Spain	42	37¼
Sweden	23	12¼

This table may usefully be supplemented by one giving Index Numbers to show the estimated "effective preference" enjoyed by British goods in the Self-Governing Dominions :—

—	1914.		1924.	
	Ad Valorem level of duties on British Goods.	Extent of Preference over Foreign Goods.	*Ad Valorem* level of duties on British Goods.	Extent of Preference over Foreign Goods.
		Ad Valorem.		*Ad Valorem.*
Australia ...	6¼ per cent....	3½ per cent....	9¾ per cent.	11¾ per cent.
Canada ...	15¼ per cent....	5¾* or 6† per cent.	13¼ per cent.	5* or 8¼† per cent.
Union of South Africa.	7½ per cent....	2¾ per cent....	9 per cent. ...	2¾ per cent.
New Zealand...	8¼ per cent....	3½ per cent....	8½ per cent.	12 per cent.

* Over countries enjoying Intermediate Tariff Rates (France, Italy, Belgium, Netherlands).

† Over countries subject to General Tariff Rates (Germany, United States of America).

ANNEX.

NOTES ON THE TARIFF POSITION IN CERTAIN OF THE MARKETS COVERED BY THE INVESTIGATION.

I.—British Empire.

India.—The general increase in the tariff index number from 2¾ to 10½ per cent. *ad valorem* reflects, of course, the movement towards protection of Indian industries. The movement started in 1917, when the import duty on cottons was put up from 3½ per cent. to 7½ per cent. *ad valorem*, the excise duty on native cottons remaining at 3½ per cent., and continued in 1921, when the duty was raised to 11 per cent. *ad valorem*. It was extended to iron and steel and machinery and other industries in 1924.

Australia.—The general level of Australia's tariff (as applied to British goods) is kept down by the fact that cotton yarns and piece goods, which constitute our major export trade, are admitted duty-free. If cottons were left out of account, the 1914 and 1924 index numbers for Australia would be 10 and 15 per cent. *ad valorem* respectively, as compared with 6¼ and 9¾ per cent.

Apart from cottons, present duties are higher than pre-war duties in practically all groups. They are practically twice as high as before in the iron and steel and machinery group, but only slightly higher on woollens and apparel.

The increase in the preference index number is striking (from 3½ per cent. to 11¾ per cent. *ad valorem*), but there has been an increase of the general level of the duties applicable to British goods.

Canada.—The Canadian tariff is higher than that of any other important part of the Empire.

The reduction in the tariff index number for British goods (from 15¼ to 13¼ per cent. *ad valorem*) is mainly accounted for by the 10 per cent. rebate now granted from all rates (under the British preferential tariff) which are over 15 per cent. *ad valorem*.

The effective extension of the "intermediate" tariff is a feature of recent Canadian tariff policy. In 1914 the "intermediate" tariff was practically the same as the "general," but there is now a marked difference between the "intermediate" and "general" tariffs. French, Belgian, Dutch and Italian goods, which enjoy "intermediate" tariff treatment, now pay on the average only 5 per cent. *ad valorem* more than British goods, whereas, in 1914, they paid nearly 6 per cent. more. German and United States goods, which pay "general" tariff duties, pay on the average 8¼ per cent. *ad valorem* more than British, instead of only 6 per cent. more, as in 1914.

On the whole it would seem that the effective preference which British goods enjoy over foreign goods in the Canadian market is much the same as before the war.

**Union of South Africa.*—The tariff index number has increased slightly (from 7½ per cent. to 9 per cent. *ad valorem*), reflecting the measures taken to protect various South African industries, such as the manufacture of boots and shoes. The general rate of preference has remained constant at 3 per cent. *ad valorem*, but, as a few goods are duty-free both under the British preferential and the general tariffs, the " effective " preference is represented by an index number of 2¾ per cent. *ad valorem*.

New Zealand.—The general level of New Zealand's tariff, as applied to British goods, is kept down by the fact that cotton piece goods which constitute our major export trade, are admitted duty-free. If cottons were left out of account, the 1914 and 1924 index numbers of *ad valorem* incidence of the duties on British goods would be 12 and 13 per cent. respectively, as compared with 8¼ and 8½ per cent. The general level is much the same as before the war, but, as in Australia, the preference which British goods enjoy over foreign goods has risen considerably.

II.—Foreign Countries.

United States of America.—The increase from 19½ to 32 per cent. *ad valorem* in the index number representing the incidence of the United States tariff results, of course, from the tariff revision of 1922. The low (" free-trade ") Payne-Aldritch tariff of 1913 was superseded by the protective " Fordney-McCumber " tariff of 1922, the duties throughout being considerably increased. The high taxation of woollens and worsteds, and relatively high taxation of machinery, is a striking feature of United States tariffs.

It is well known, of course, that the tariff increase of 1922 has not had so deterrent an effect on our export trade to the United States as was anticipated in some quarters, and this case furnishes an excellent illustration of the fact that tariff duties are not necessarily the decisive factor in determining the volume of trade which may be carried on with a particular market.

Germany.—Except for the lapse of various " conventional " duties the specific rates of the German tariff are very much the same as before the war. The duties on various " luxury " or " unnecessary " goods have been considerably increased, but this has not materially affected the staple lines of British export trade. Hence, the *ad valorem* incidence of the German tariff has dropped roughly in proportion to the increase of prices.

Trade with Germany is, of course, considerably hampered by the import restriction system which is still in operation. When this system lapses (as it is expected to do to a large extent at least

* Since this was written, the Government of South Africa have submitted a new Tariff to the Union Legislature (April 1925) with new proposals as regards preference

during the course of 1925) an increase of tariff duties is to be expected.

Argentine Republic.—The Argentine tariff is on the " valuation " system, *i.e.*, an official valuation is fixed under each tariff number and a percentage rate (fixed by the basic tariff law) is applied to this valuation. The official valuations have been increased from time to time, as prices increased. A general tariff revision took place in 1923, which provided for a general increase of the valuations by 60 per cent. (as compared with before the war), and for the continuation of the surtaxes of 2 per cent. or 7 per cent. on the official valuations, the latter percentage (7) being applicable to most classes of manufactured goods. At the same time the " percentage " tariff rates on many goods were changed, the most noticeable examples being the reduction of the duties on piece goods of wool and on boots and shoes, and the suppression of the duties on many classes of machinery. The general effect of these changes, as applied to staple British exports, is that the index number representing the incidence of the present Argentine tariff is somewhat less than that of the former tariff, *i.e.*, 20½ per cent. as compared with 24 per cent.

France.—The tariff duties are now multiplied by " coefficients of increase," designed to restore the incidence of the duties, which are expressed in paper francs, to the pre-war level. In fact, the " coefficients " at present applicable are not large enough to achieve this object, and the index number representing the incidence of French tariff rates is substantially below its pre-war figure.

Whilst many firms trading with France complain of the tariff duties, their complaint is not so much that the duties are high in themselves, as that French industry is already so amply " protected " by exchange conditions, low labour costs, etc., that even a relatively small import duty makes it impossible for British goods to compete.

Japan.—To a very large extent the pre-war duties, which are mainly specific, are still in operation, and the great fall in the index number is due to the rise in prices and the depreciation of the yen. The recent law imposing a 100 per cent. *ad valorem* duty on certain " luxuries " did not affect any large proportion of our staple export trade.

Netherlands.—The Netherlands tariff, with its free admission of raw materials, machinery, etc., and a 5 per cent. *ad valorem* duty on manufactured goods, has not been changed, except in quite small details for many years, and the index number is only 2¾ per cent. A new tariff has, however, now been passed by the Legislature, and will come into force during 1925, providing for a tax of 8 per cent. *ad valorem* on manufactured goods; and when this new tariff is made operative the index number will be increased to about 4½ per cent.

Brazil.—The Brazilian tariff is well known to be one of the highest in the world. It stands to-day practically as it did in 1914, but, owing to the general increase of prices its *ad valorem* incidence, is substantially less than it was ten years ago. Nevertheless the index number is higher than in any other country included in the investigation, viz., 41 per cent.

Belgium.—Despite the upward tariff revision of 1924, the Belgian tariff represents, on the whole, a lower *ad valorem* tax on British trade than it did before the war. Machinery and iron and steel are more highly taxed in relation to their value than before the war, but textiles are less highly taxed.

Italy.—Italy revised her tariff in 1921, with the expressed object of increasing the protection of native industries, especially the metallurgical industry. Since 1921 the tariff rates have been considerably reduced by a series of commercial treaties, etc., and the net result is that the index number representing the incidence of the present tariff is still somewhat below that of the pre-war tariff. As in Belgium, machinery and iron and steel are taxed more highly than before the war, but textiles are less highly taxed.

Spain.—Spain revised her tariff in 1921-2, and considerably increased the specific rates of duty leviable. To some extent the tariff duties have been subsequently reduced by the commercial treaties which Spain has concluded with the United Kingdom and other countries, and the net result is that the index number is somewhat lower than before the war. The Spanish tariff is, however, much higher than that of any other European country covered by the investigation, the index number being no less than 37¼ per cent.

Sweden.—The Swedish specific rates of customs duty to-day are very much the same as before the war, and the only important increases which have been made (affecting " luxury " or " unnecessary " goods) did not materially affect the staple lines of British export. Hence the index number has dropped roughly in proportion to the general increase of prices.

TARIFF PREFERENCE ACCORDED IN THE BRITISH DOMINIONS AND COLONIES TO UNITED KINGDOM GOODS.

The following summary statement shows generally the nature and extent of the tariff preference at present accorded to goods the produce and manufacture of the United Kingdom by the self-governing Dominions and certain British Colonies.

India and Newfoundland accord no tariff preference to United Kingdom goods, nor do those Colonies which are not specifically referred to in the following statement.

All the preference-giving Dominions and Colonies accord a tariff preference to the United Kingdom in respect of the majority of the classes into which merchandise is divided for tariff purposes.

I.—Nature and extent of Preference.

A.—*Self-governing Dominions.*

Australia.—In the majority of tariff headings under which preference is accorded, the preference amounts to 10 per cent. *ad valorem*, though in a substantial number of cases it reaches 15 per cent. *ad valorem*, and even, in a few cases, 20 per cent.

Canada.—The rates of Customs duties are classified under three tariffs, namely :—

British preferential tariff;
Intermediate tariff (reduced in certain instances under the Franco-Canadian Convention, 1923);
General tariff.

The British preferential tariff is applied to goods imported from the United Kingdom and most other parts of the Empire; the intermediate tariff to goods imported from France, Italy, Belgium, Holland and certain other countries entitled to most-favoured-nation treatment in Customs matters in Canada; and the general tariff to goods imported from all other countries, including the United States of America.

A comparison of the British preferential tariff and general tariff shows that a preference of 10 per cent. or 12 per cent. *ad valorem* is accorded to many important classes of British goods subject to *ad valorem* duties. In some items, however, the preference falls as low as 2½ per cent. *ad valorem*, whilst in others it reaches 17½ per cent. *ad valorem*. In certain cases the grant of the full preference is dependent on direct shipment from the United Kingdom to a Canadian port.

New Zealand.—In the majority of tariff headings under which preference is accorded, the preference ranges from 10 per cent. *ad valorem* to 20 per cent. *ad valorem*.

Union of South Africa.—A proposed new Customs Tariff has been submitted to the Union Legislature, consisting of maximum and minimum columns. The maximum duties of the new tariff are already operative in those cases in which an increase over the old tariff rates is shown, but decreases of duty under the new tariff cannot become operative until sanctioned by Act of Parliament.

New preference proposals have been introduced, but until they are accepted by the Union Parliament United Kingdom goods will continue to enjoy the preference of 3 per cent. *ad valorem* as formerly. The effect of the new proposals, if carried, will be

to limit the accord of preference to a much smaller proportion of the imports from this country, though, in certain cases, to increase the amount of preference so accorded.

Irish Free State.—The Tariff of Great Britain (including the preferential rebates) is in force, with various amendments introduced by the Irish Free State Finance Act, 1924, and the Finance Bill of 1925. The effect of these amendments on the amount of preference accorded to goods imported from other parts of the Empire is shown below :—

(1) The duty on tea, raw cocoa, coffee and chicory has been abolished.

(2) The duty on sugar has been reduced from the full rate of 2¾d. per lb. to a flat rate of 1d. per lb., and the preference on this article has been abolished.

(3) Uniform rates of duty have been imposed on sugar confectionery and cocoa preparations in place of duties of varying amounts hitherto levied. The preferential rate of duty in each case remains at five-sixths of the full rate. It is not therefore possible to indicate in general terms the effect of these amendments on the actual amount of the preferential rebate accorded in respect of each of the articles falling under these headings.

(4) The preferential rebates on unmanufactured tobacco have been removed.

(5) New *ad valorem* duties have been imposed on boots and shoes, empty glass bottles, soap, candles, personal clothing, wearing apparel, blankets, rugs, bedsteads, wooden furniture; and no Empire preference has been accorded in respect of any of these articles.

B.—*Colonies, Etc.*

Fiji.—In the majority of tariff headings under which preference is accorded the preference amounts to 12½ per cent. *ad valorem.*

Basutoland, Bechuanaland Protectorate, and Swaziland.—The Customs tariff of the Union of South Africa is in operation: preference is at the uniform rate of 3 per cent. *ad valorem* on all goods subject to *ad valorem* duties.

Rhodesia, Northern and Southern.—The rate of preference for the items specified in the Customs tariffs ranges from 3 per cent. *ad valorem* to 25 per cent. *ad valorem.* On all dutiable goods unspecified in the tariffs, the preference amounts to 11 per cent. *ad valorem.*

Bahamas.—The preference takes the form of a drawback equal to 25 per cent. of the amount of the duty leviable on similar goods of foreign origin.

Jamaica.—The preferential rate of duty is, with very few exceptions, three-fourths of the rate of duty under the general tariff. On most manufactured goods the preference amounts to 5 per cent. *ad valorem.*

St. Lucia.—The preferential rate of duty is, with very few exceptions, two-thirds of the rate of duty under the general tariff. On most manufactured goods the preference amounts to 5⅝ per cent. *ad valorem.*

St. Vincent.—The preferential rate of duty is, with very few exceptions, two-thirds of the rate of duty under the general tariff. On most manufactured goods the preference amounts to 5½ per cent. *ad valorem.*

Barbados.—The preferential rate of duty is, with very few exceptions, one-half of the rate of duty under the general tariff. On most manufactured goods the preference amounts to 12 per cent. *ad valorem.*

Grenada.—The preferential rate of duty is, with very few exceptions, two-thirds of the rate of duty under the general tariff. The preference generally amounts to 5 per cent. or 7½ per cent. *ad valorem.*

Virgin Islands.—The preferential rate of duty is, with very few exceptions, two-thirds of the rate of duty under the general tariff. On most manufactured goods the preference amounts to 4 per cent. *ad valorem.*

St. Christopher-Nevis.—The preferential rate of duty is, with very few exceptions, two-thirds of the rate of duty under the general tariff. On most manufactured goods the preference is equal to 5 per cent. *ad valorem.*

Antigua.—The preferential rate of duty is, with very few exceptions, two-thirds of the rate of duty under the general tariff. On most manufactured goods the preference is equal to 5 per cent. *ad valorem.*

Montserrat.—The preferential rate of duty is, with very few exceptions, two-thirds of the rate of duty under the general tariff. On most manufactured goods the preference is equal to 5 per cent. *ad valorem.*

Dominica.—The preferential rate of duty is, with very few exceptions, two-thirds of the rate of duty under the general tariff. On most manufactured goods the preference amounts to 5¼ per cent. *ad valorem.*

Trinidad and Tobago.—The preferential rate of duty is, with very few exceptions, one-half of the rate of duty under the general tariff. On most manufactured goods the preference amounts to 10¾ per cent. *ad valorem.*

British Honduras.—The preferential rate of duty is, in the majority of cases, one-half of the rate of duty under the general tariff. On most classes of manufactured goods the preference

amounts to 10 per cent. *ad valorem*, and to 5 or 15 per cent. *ad valorem* in some other cases.

British Guiana.—The preferential rate of duty is generally one-half of the rate of duty under the general tariff. On most classes of manufactured goods the preference amounts to 20 per cent. *ad valorem*.

Cyprus —The preferential rate of duty is generally five-sixths of the rate of duty under the general tariff. On most classes of goods the preference amounts to 2½ per cent. *ad valorem*.

Mauritius.—The preferential rate of duty is, with few exceptions, four-fifths of the rate of duty under the general tariff. On the few classes of manufactured goods on which preference is accorded the preference generally amounts to 3 per cent. *ad valorem*.

II.—Conditions Governing the Grant of Preference to Goods.

The general regulations in the different parts of the Empire are substantially the same as those in force in the United Kingdom, *i.e.*, the factory or works cost of the goods must contain at least 25 per cent. of Empire labour or material.

In Australia new preference conditions have applied to United Kingdom goods invoiced as from the 1st April, 1925, under which the proportion of United Kingdom labour and/or material contained in the factory or works cost of goods entered under the British preferential tariff must generally be 75 per cent. Goods, however, in the manufacture of which all possible processes of manufacture in the raw material and in the finished goods, which are commercially performed in the United Kingdom, have been performed in the United Kingdom, will qualify for preference irrespective of the proportion of United Kingdom labour and/or material contained in the factory or works cost of the goods; and in the case of goods of a class not commercially manufactured in the Commonwealth, preference will be granted provided that they contain at least 25 per cent. of United Kingdom labour and/or material in their factory or works cost.

In the case of New Zealand, the proportion of 25 per cent. of Empire labour and/or material has hitherto been required for preference, but it has been proposed to increase this proportion to 75 per cent. The New Zealand Government have, however, postponed the operation of new conditions until the 1st October, 1925, and the whole matter is still under consideration.

There has been considerable variation in the past in matters of detail, particularly in regard to the basis on which *ad valorem* duty is assessed in the different parts of the Empire. In the U.K. the general procedure is to charge duty on the cost-insurance-freight value of the goods at the date of importation. In the self-governing Dominions the practice has normally been to assess duty on the " current domestic value " in the country

of origin. In a large number of the colonies duty is not levied on this basis but upon the " invoice price," *i.e.*, the actual amount charged to the colonial importer by the home supplier. There has further been considerable variation as to the items to be included in those figures and also in the certificates to be submitted by firms in this country sending goods to different parts of the Empire.

Accordingly, in February and March, 1921, an Imperial Customs Conference was held at the Board of Trade, at which the different parts of the Empire were represented, to endeavour to remove some of the divergencies which then existed in matters of Customs procedure and administration in regard to preference throughout the Empire. The Conference made a number of recommendations on various matters of Customs procedure, such as the method to be adopted in calculating the value of goods for duty purposes, and the items to be included or excluded in estimating the 25 per cent. of the total factory or works cost. A combined certificate of value and origin and a form of invoice were also drawn up by the Conference to be used in all cases where the different parts of the Empire levied duty on " current domestic value." The certificate and invoice were immediately adopted by Australia and New Zealand, the Union of South Africa and certain of the smaller colonies.

The tendency in the direction of uniformity was carried further at the Imperial Economic Conference held in October and November, 1923. On this occasion the form of invoice and certificate agreed to by the Imperial Customs Conference for use in the case of goods sent to those parts of the Empire basing duty on " current domestic value " was confirmed. A further form of invoice and certificate was drawn up for goods sent to those parts of the Empire which base duty on " invoice price." The different parts of the Empire (with the exception of this country, the Irish Free State and India, where special conditions rule) have been invited to adopt one or other of the forms of invoice and certificate. The form of invoice and certificate recommended for Colonies basing duty on " invoice price " has already been adopted by a number of colonies.

The object of the uniform invoice and certificate is to save British traders from the necessity of having to keep in stock large numbers of invoices and certificates for the different parts of the Empire. The uniform invoice and certificate are so drawn up as to contain all the information that any part of the Empire levying duty on the " current domestic value " or the " invoice price " requires for calculating the amount of duty payable. The general adoption of one or other of these forms throughout the Empire is of assistance to the development of inter-imperial trade and a convenience to British traders.

Rates of Customs Duties levied in 1914 *and in October,* 1924†, *on certain important British Exports in the principal pre-war markets.*

I.—IRON AND STEEL.

(1) *Pig Iron—Forge and Foundry.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
Sweden ...	Free	Free	Free ...	Free.
Norway ...	Free	Free	Free ...	Free.
Denmark ...	Free	Free	Free ...	Free.
Germany ...	1 mk. per 100 kgs.*	1 mk. (gold) per 100 kgs.*	10*s.* per ton*	11*s.* per ton.*
Netherlands	Free	Free	Free ...	Free.
Belgium ...	20 cts. per 100 kgs.*	40 cts. per 100 kgs.*	1*s.* 7½*d.* per ton.*	11*d.* per ton.*
France ...	1½ fr. per 100 kgs.*	3 fr. per 100 kgs.*	12*s.* 2*d.* per ton.*	7*s.* 4*d.* per ton.*
Italy ...	1 lira per 100 kgs.*	2·8125 lire (gold) per 100 kgs.*	8*s.* 1½*d.* per ton.*	25*s.* 2*d.* per ton.*
Asia—				
Japan ...	0·083 yen per 100 kin.	0·083 yen per 100 kin.	2*s.* 10½*d.* per ton.	2*s.* 5*d.* per ton.
America—				
United States	Free	75 cts. per ton	Free ...	3*s.* 4*d.* per ton.
Empire:				
Australia ...	Free	20*s.* per ton ...	Free ...	20*s.* per ton.
Canada ...	1½ dols. per ton of 2,000 lbs.	1½ dols. per ton of 2,000 lbs.	6*s.* 11*d.* per ton.	7*s.* 5½*d.* per ton.
India	1% *ad val.* ...	10% *ad val.* on a valuation of 90 rupees per ton.	1% *ad val.*	13*s.* 4*d.* per ton.

* Gross Weight. † *See* footnote on page 539.

Note.—(1) The foreign countries specified absorbed 90 per cent. of the total value of our exports to foreign countries in 1913 and 1922, and the Empire markets absorbed about 80 per cent. of the exports to Empire markets,

(2) Foreign markets are the most important, the quantity of pig iron shipped to Empire markets being only about ⅛ of that shipped to foreign countries.

(2) *Rails.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Asia—				
China ...	0.125 Hk. tls. per picul.	0.18 Hk. tls. per picul.	3¾*d.* per cwt.	6¼*d.* per cwt.
Africa—				
Portuguese East Africa (Mozambique)...	Free... ...	Free... ...	Free ...	Free.
Egypt ...	8 % *ad val.*...	8 % *ad val.*...	8 % *ad val.*	8 % *ad val.*
America—				
Mexico ...	2.75 pesos per 100 kgs.*	3.36 pesos per 100 kgs.*	2*s.* 10*d.* per cwt.*	3*s.* 10*d.* per cwt.*
Brazil ...	15 reis per kg.	15 reis per kg.	1*s.* 3*d.* per cwt.	1*s.* 3*d.* per cwt.
Argentina ...	Free... ...	Free... ...	Free ...	Free.
Empire :				
India	Free... ...	14 rupees per ton.	Free ...	1*s.* 0½*d.* per cwt.
Australia ...	10 % *ad val.*	35*s.* per ton	10 % *ad val.*	1*s.* 9*d.* per cwt.
Union of South Africa ...	Free... ...	Free... ...	Free ...	Free.
New Zealand ...	Free... ...	1 % *ad val.*†	Free ...	1 % *ad val.*†

* Gross Weight. † "Primage" duty.

Note.—(1) The foreign countries specified absorbed 81 per cent. and 65 per cent. respectively, of the total value of exports to foreign countries in 1913 and 1922; and the three Empire markets absorbed about 80 per cent. of the exports (in both years) to British destinations.

(2) The quantity of rails shipped to Empire destinations is about three times as great as that shipped to foreign countries.

(3) *Galvanised Sheets (Corrugated).*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
Russia ...	2·65 rbls. per pood.	25 rbls. per 100 kgs.	17*s.* 5*d.* per cwt.	£1 9*s.* 7*d.* per cwt.
Norway ...	Free	Free	Free ...	Free.
Denmark ...	Free	Free	Free ...	Free.
Asia—				
Netherlands East Indies	Free	6% *ad val.* ...	Free ...	6% *ad val.*
Siam ...	3% *ad val.* ...	3% *ad val.* ...	3% *ad val.*	3% *ad val.*
Japan ...	1·20 yen per 100 kin.	1·20 yen per 100 kin.	2*s.* 1*d.* per cwt.	1*s.* 9*d.* per cwt.
China ...	0·275 Hk. tls. per picul.	0·46 Hk. tls. per picul.	8½*d.* per cwt.	1*s.* 4*d.* per cwt.
Africa—				
Portuguese East Africa	5% *ad val.* ...	10% *ad val.*...	5% *ad val.*	10% *ad val.*
Morocco ...	12½% *ad val.*	12½% *ad val.*	12½% *ad val.*	12½% *ad val.*
America—				
Chile ...	·08 pesos per kg.*	0·15 pesos per kg.*	6*s.* 1*d.* per cwt.*	11*s.* 5½*d.* per cwt.
Brazil ...	100 reis per kg.	100 reis per kg.	8*s.* 6*d.* per cwt.	8*s.* 6*d.* per cwt.
Uruguay ...	1½ cts. per kg.	1½ cts. per kg.	3*s.* 3*d.* per cwt.	2*s.* 11*d.* per cwt.
Argentina ...	1·89 cts. per kg.	3·584 cts. per kg.	3*s.* 10*d.* per cwt.	6*s.* 6½*d.* per cwt.
Empire:				
India	1% *ad val.* on a valuation of 185 rupees per ton.	45 rupees per ton.	1½*d.* per cwt.	3*s.* 4*d.* per cwt.
Australia ...	£1 per ton ...	£1 per ton ...	1*s.* per cwt.	1*s.* per cwt.
Union of South Africa ...	Free	Free	Free ...	Free.
New Zealand ...	2*s.* per cwt. ...	2*s.* per cwt. + 1% *ad val.*†	2*s.* per cwt.	2*s.* per cwt. + 1% *ad val.*†
Canada ...	20% *ad val.*...	18% *ad val.*...	20% *ad val.*	18% *ad val.*

* Gross weight. † "Primage" duty.

Note.—(1) The foreign markets specified above absorbed in 1913 and 1922, about 80% of the total exports of galvanised sheets (both flat and corrugated) to foreign countries, and the Empire markets specified absorbed about 90% of the exports to British destinations.

(2) The Empire takes, roughly, twice as much as foreign countries do.

(4) *Tinplates.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
Russia ...	2.65 rbls. per pood.	25 rbls. per 100 kgs.	17*s.* 5*d.* per cwt.	£1 9*s.* 7*d.* per cwt.
Sweden ...	Free... ...	Free... ...	Free ...	Free.
Norway ...	Free... ...	Free... ...	Free ...	Free.
Denmark ...	Free... ...	Free... ...	Free ...	Free.
Germany ...	5½ mks. per 100 kgs.*	5½ mks. (gold) per 100 kgs.	2*s.* 9*d.* per cwt.*	3*s.* per cwt.*
Netherlands	Free... ...	Free... ...	Free ...	Free.
Belgium ...	Free... ...	Free... ...	Free ...	Free.
France ...	13 fcs. per 100 kgs.	39 fcs. per 100 kgs.	5*s.* 3½*d.* per cwt.	4*s.* 9*d.* per cwt.
Switzerland	2 fcs. per 100 kgs.*	4 fcs. per 100 kgs.*	10*d.* per cwt.*	1*s.* 8½*d.* per cwt.
Portugal ...	30 cts. per 100 kgs.*	1.50 esc. (gold) per metric ton.	7*d.* per cwt.*	4*d.* per cwt.
Spain ...	14 pes. per 100 kgs.	25 pes. (gold) per 100 kgs.	5*s.* 8*d.* per cwt.	11*s.* 2*d.* per cwt.
Italy ...	18 lire per 100 kgs.*	27½ lire per 100 kgs.*	7*s.* 4*d.* per cwt.*	12*s.* 4*d.* per cwt.*
Roumania ...	4 lei per 100 kgs.*	30 lei per 100 kgs.*	1*s.* 7½*d.* per cwt.*	4½*d.* per cwt.*
Asia—				
Dutch East Indies ...	Free... ...	Free... ...	Free ...	Free.
China ...	0.29 Hk. tls. per picul.	0.45 Hk. tls. per picul.	9*d.* per cwt.	1*s.* 4*d.* per cwt.
Japan ...	0.70 yen per 100 kin.	0.70 yen per 100 kin.	1*s.* 2½*d.* per cwt.	1*s.* 0½*d.* per cwt.
Africa—				
Egypt ...	8 % *ad val.*...	8 % *ad val.*...	8 % *ad val.*	8 % *ad val.*
America—				
United States	15 % *ad val.*	1 ct. per lb....	15 % *ad val.*	4*s.* 11*d.* per cwt.
Brazil ...	50 reis per kg.	50 reis per kg.	4*s.* 3*d.* per cwt.	4*s.* 3*d.* per cwt.
Argentina ...	0.40 ct. per kg.	0.64 ct. per kg.	10*d.* per cwt.	1*s.* 2*d.* per cwt.
Empire:				
India	1 % *ad val.*...	60 rupees per ton.	1 % *ad val.*	4*s.* 5*d.* per cwt.
Canada ...	Free... ...	7½ % *ad val.*	Free ...	7½ % *ad val.*
Australia ...	Free... ...	Free... ...	Free ...	Free.

* Gross weight.

Notes.—(1) About 90 % of the 1913 and 1922 exports of tinned plates and sheets to foreign markets were distributed among the 20 foreign countries specified above. Of the exports to Empire destinations (amounting to about a third or half of the exports to foreign countries), about 80 % went to India, Canada and Australia.

(2) In many countries (including Russia, Portugal, Spain, Italy and Japan), tinplate is admitted duty-free (under "temporary admission" regulations) or a rebate of duty is allowed, when used for packings for the export trade, and for similar purposes.

(5) *Section Steel.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Russia ...	1.05 rbls. per pood.	7½ rbls. per 100 kgs.	6*s.* 11*d.* per cwt.	8*s.* 10*d.* per cwt.
Germany ...	2¼ mks. per 100 kgs.*	2½ mks. (gold) per 100 kgs.*	1*s.* 3*d.* per cwt.*	1*s.* 4½*d.* per cwt.*
Netherlands .	Free... ...	Free... ...	Free ...	Free.
Belgium ...	1 fr. per 100 kgs.	3 frs. per 100 kgs.	5*d.* per cwt.	4*d.* per cwt.
France ...	5 frs per 100 kgs.*	8½ frs. per 100 kgs.*	2*s.* 0½*d.* per cwt.*	1*s.* 0½*d.* per cwt.*
Spain ...	6.40 pes. per 100 kgs.	16.90 pes. (gold) per 100 kgs.	2*s.* 7*d.* per cwt.	7*s.* 7*d.* per cwt.
Asia—				
Japan ...	0.60 yen per 100 kin.	15 % *ad val.*	1*s.* 0½*d.* per cwt.	15 % *ad val.*
China ...	0.14 Hk. tls. per picul.	0.23 Hk. tls. per picul.	4*d.* per cwt.	8*d.* per cwt.
America—				
United States	10 % *ad val.*	⅕ cent. per lb.	10% *ad val.*	1*s.* per cwt.
Argentina ...	0.20 cts. per kg.	0.32 cts. per kg.	5*d.* per cwt.	7*d.* per cwt.
Brazil ...	100 reis per kg.	100 reis per kg.	8*s.* 6*d.* per cwt.	8*s.* 6*d.* per cwt.
Empire :				
Australia ...	Free... ...	44*s.* per ton	Free ...	2*s.* 2½*d.* per cwt.
India	1 % *ad val.*...	30 rupees per ton.	1 % *ad val.*	2*s.* 1½*d.* per cwt.
Canada ...	2 dols. per ton of 2,000 lb.	2 dols. per ton of 2,000 lb.	5½*d.* per cwt.	6*d.* per cwt.
Union of South Africa.	Free... ...	Free... ...	Free ...	Free.
New Zealand...	Free... ...	1 % *ad val.*†	Free ...	1 % *ad val.*†

* Gross Weight. † "Primage" duty.

Note.—The 11 foreign markets specified above absorbed in 1913 and 1922 respectively, 84 % and 65 % of the total exports to foreign countries ; the five Empire markets absorbed 80 % of the total exports to Empire destinations.

II.—ENGINEERING.

(1) *Spinning Machinery.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Russia ...	2.10 rbls. per pood.	Free... ...	13*s.* 10*d.* per cwt.	Free.
Poland ...	(As in Russia, Germany or Austria-Hungary.)	33⅓ zl. per 100 kgs.†	(As in Russia, Germany or Austria-Hungary.)	14*s.* 11*d.* per cwt.†
Sweden ...	10 % *ad val.*	10 % *ad vat.*	10 % *ad val.*	10% *ad val.*
Germany ...	4 mks. per 100 kgs.*	6 mks. (gold) per 100 kgs.*	2*s.* per cwt.*	3*s.* 3½*d.* per cwt.*
Netherlands .	Free... ...	Free... ...	Free ...	Free.
Belgium ...	4 fr. per 100 kgs.	24 fr. per 100 kgs.	1*s.* 7½*d.* per cwt.	2*s.* 8½*d.* per cwt.
France ...	9 fr. per 100 kgs.	45 fr. per 100 kgs.	3*s.* 8*d.* per cwt.	5*s.* 6*d.* per cwt.
Spain ...	18½ pes. per 100 kgs.*	65 (gold) pes. per 100 kgs.*	7*s.* 6*d.* per cwt.*	29*s.* per cwt.*
Italy ...	6 lire per 100 kgs.*	15 (gold) lire per 100 kgs.	2*s.* 5*d.* per cwt.*	6*s.* 8½*d.* per cwt.
Asia—				
China ...	5 % *ad val.*...	5 % *ad val.*...	5% *ad val.*	5 % *ad val.*
Japan ...	4.15 yen per 100 kin.	4.15 yen per 100 kin.	7*s.* 2*d.* per cwt.	6*s.* 1*d.* per cwt.
America—				
United States America ...	20 % *ad val.*	35 % *ad val.*	20 % *ad val.*	35% *ad val.*
Mexico ...	1.65 pes. per 100 kg.*	Free... ...	1*s.* 8½*d.* per cwt.*	Free.
Brazil ...	8 % *ad val.*...	120 reis per kg.‡	8 % *ad val.*	10*s.* 2*d.* per cwt.‡
Empire :				
India	Free... ...	2½ % *ad val.*	Free ...	2½% *ad val.*
Australia ...	Free... ...	Free... ...	Free ...	Free.
Canada ...	10% *ad val.*§	10% *ad val.*§	10% *ad val.*§	10% *ad val.*§

* Gross weight.
† Only one-tenth of this duty is payable if spinning machines are not manufactured in Poland.
§ If of a class or kind not made in Canada.
‡ But free if for spinning native (Brazilian) cotton to make hosiery or lace.

Notes.—(1) India is the biggest market, taking 24 % and 36 % of the total exports of textile machinery in 1913 and 1922 respectively. Apart from India the exports to Empire destinations are very small indeed.

(2) The markets specified above absorbed 90 % of total exports of textile machinery in 1913 and 94 % in 1922.

(2) *Weaving Machinery.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
Netherlands	Free... ...	Free... ...	Free ...	Free.
Germany ...	4 mks. per 100 kgs.	5 marks (gold) per 100 kgs.	2*s.* per cwt.	2*s.* 9*d.* per cwt.
Belgium ...	4 frs. per 100 kgs.	24 frs. per 100 kgs.	1*s.* 7½*d.* per cwt.	2*s.* 8½*d.* per cwt.
France ...	8 frs. per 100 kgs.	40 frs. per 100 kgs.	3*s.* 3*d.* per cwt.	4*s.* 11*d.* per cwt.
Italy ...	6 lire ...	15 lire (gold) per 100 kgs.	2*s.* 5*d.* per cwt.	6*s.* 8½*d.* per cwt.
Asia—				
China ...	5% *ad val.* ...	5% *ad val.* ...	5% *ad val.*	5% *ad val.*
Japan ...	2·40 yen per 100 kin.	2·90 yen per 100 kin.	4*s.* 2*d.* per cwt.	4*s.* 3*d.* per cwt.
America -				
United States	20% *ad val.*	35% *ad val.*...	20% *ad val.*	35% *ad val.*
Brazil ...	8% *ad val.* ...	120 reis per kgs.	8% *ad val.*	10*s.* 2*d.* per cwt.
Empire:				
India	Free... ...	2½% *ad val.*	Free ...	2½% *ad val.*
Australia ...	Free... ...	Free... ...	Free ...	Free.

Notes.—(1) India is easily the biggest market, taking 24% and 36% of the total exports of textile machinery (all kinds) in 1913 and 1922 respectively. India took 48% of the total exports of weaving machinery in 1922.

(2) The eleven markets specified above took 76% of the exports of textile machinery (all kinds) in 1913, and 90% of the exports of weaving machinery in 1922.

(3) *Reapers and Binders.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
Russia ...	Free... ...	Free ...	Free	Free.
Poland ...	(As in Russia, Germany and Austria-Hungary.)	Free ...	(As in Russia, Germany and Austria-Hungary.)	Free.
Germany ...	4 mks. per 100 kgs.*	4 mks. (gold) per 100 kgs.*	2*s.* per cwt.*	2*s.* 2½*d.* per cwt.*
Netherlands	Free	Free ...	Free	Free.
France and Algeria.	12 frs. per 100 kgs.*	24 frs. per 100 kgs.*	4*s.* 10½*d.* per cwt.*	2*s.* 11*d.* per cwt.*
Italy ...	4 lire per 100 kgs.*	Free ...	1*s.* 7½*d.* per cwt.*	Free.
Africa—				
Egypt ...	8 % *ad val.* ...	8% *ad val.* ...	8% *ad val.* ...	8% *ad val.*
America—				
Chile ...	2 cts. per kg.*	3 cts. per kg.*	1*s.* 6*d.* per cwt.*	2*s.* 3½*d.* per cwt.*
Argentina ...	Free	Free ...	Free	Free.
Empire:				
India	Free	Free ...	Free	Free.
Union of South Africa.	Free	Free ...	Free	Free.
Australia ...	Free	£6 10*s.* each or 30% *ad val.*†	Free	£6 10*s.* each or 30% *ad val.*†

* Gross weight. † Whichever is higher.

Notes.—(1) The nine foreign markets specified absorbed 85% of the Agricultural machinery exported to foreign destinations in 1913, and the three Empire markets absorbed about 75% of the exports to Empire destinations. The post-war classification of exports does not admit of the comparative figure being readily given.

(2) The Empire takes much smaller quantities of agricultural machinery than foreign markets do.

(4) *Motor-Cars (Pleasure Vehicles).*

[Fourseater weighing just under 1 ton.]

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
Russia	220 rbls. each	36.26 rbls. per 100 kgs.	£23 4*s.* 5*d.* each.	43*s.* per cwt.
Sweden	15% *ad val.*	15% *ad val.*...	15% *ad val.*...	15% *ad val.*
Denmark... ...	10 öre per kg.	25 öre per kg. plus 5% *ad val.*	5*s.* 8*d.* per cwt.	10*s.* per cwt. plus 5% *ad val.*
Netherlands ...	5% *ad val.* ...	5% *ad val.* ...	5% *ad val.* ...	5% *ad val.*
Belgium	80 frs. per 100 kgs.	20% *ad val.*...	£1 12*s.* 6*d.* per cwt.	20% *ad val.*
Germany... ...	25 mks. per 100 kgs.	160 mks. (gold) per 100 kgs.	12*s.* 6*d.* per cwt.	88*s.* per cwt.
France	75 frs. per 100 kgs.	45% *ad val.*...	£1 10*s.* 6*d.* per cwt.	45% *ad val.*
Spain	100 pes. per 100 kgs. plus 200 pes. each.	90 pes. (gold) per kg.	£2 0*s.* 8*d.* per cwt. plus £7 18*s.* each.	£2 per cwt.
Asia—				
Japan	35% *ad val.*...	35% *ad val.*...	35% *ad val.*...	35% *ad val.*
Africa—				
Egypt	8% *ad val.* ...	8% *ad val.* ...	8% *ad val.* ...	8% *ad val.*
America—				
United States ...	30% or 45% *ad val.*	25% *ad val.*...	30% or 45% *ad val.*	25% *ad val.*
Argentina ...	12% *ad val.*...	32% *ad val.*...	12% *ad val.*...	32% *ad val.*
Empire:				
India	5% *ad val.* ...	30% *ad val.*...	5% *ad val.* ...	30% *ad val.*
Australia { body ...	£36 each ...	£65 each or 40% *ad val.*†	£36 each ...	£65 each or 40% *ad val.*†
Australia { chassis ...	Free	7½% *ad val.*...	Free	7½% *ad val.*
New Zealand { body ...	20% *ad val.*...	£15 each plus	20% *ad val.*...	£15 each plus
New Zealand { chassis ...	Free	10% *ad val.*...	Free	10% *ad val.*
Union of South Africa.	12% *ad val.*...	17% *ad val.*...	12% *ad val.*...	17% *ad val.*

† Whichever is higher.

Note.—(1) The 12 foreign markets specified above absorbed about 80% of the exports of cars to foreign countries; and the 4 Empire markets specified absorbed over 70% of the exports of cars to Empire markets.

(2) More cars go to Empire markets than to foreign countries. In 1913 5,000 cars were sent to the Empire and 2,500 cars to foreign countries; but in 1922 the figures were 1,200 and 750, respectively.

(5) *Heavy Locomotives.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
Netherlands	Free	Free	Free ...	Free.
Belgium ...	6 frs. per 100 kgs.	24 frs. per 100 kgs.	2*s.* 5*d.* per cwt.	2*s.* 8½*d.* per cwt.
Spain ...	20 pes. per 100 kgs.	70 (gold) pes. per 100 kgs.	8*s.* 1½*d.* per cwt.	31*s.* 4*d.* per cwt.
Asia—				
China ...	5 % *ad val.*...	5 % *ad val.*...	5% *ad val.*	5% *ad val.*
America—				
Argentina ...	Free	5 % *ad val.*...	Free ...	5% *ad val.*
Brazil ...	8 % *ad val.*...	80 reis per kg.	8% *ad val.*	6*s.* 10*d.* per cwt.
Empire:				
India	Free	2½ % *ad val.*	Free ...	2½% *ad val*
Australia ...	20 % *ad val.*	27½ % *ad val.*	20% *ad val.*	27½ % *adval*
Union of South Africa.	Free	Free	Free ...	Free.
Ceylon ...	Free	Free	Free ...	Free.

Notes.—(1) The above countries absorbed, in 1913, 90% of the total exports and, in 1922, about 80%.

(2) India is, normally, easily the most important market, Argentina taking second place. In 1922, however, there was an exceptionally large export to Belgium (nearly 40% of total).

(6) *Stationary Oil Engines.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
France ...	16 frs. per 100 kgs.	49·6 frs. per 100 kgs.	6*s.* 6*d.* per cwt.	6*s.* 1*d.* per cwt.
Roumania ...	10 lei per 100 kgs.*	510 lei per 100 kgs.	4*s.* 1*d.* per cwt.*	6*s.* 1*d.* per cwt.
Asia—				
Dutch East Indies.	Free. ...	6% *ad val.*	Free ...	6% *ad val.*
China ...	5% *ad val* ...	5% *ad val.*	5% *ad val.*	5% *ad val.*
Africa—				
Egypt ...	8% *ad val* ...	8% *ad val.* ...	8% *ad val.*	8% *ad val.*
America—				
Chile ...	2 cts. per kg.*	3 cts. per kg.*	1*s.* 6*d.* per cwt.*	2*s.* 3½*d.* per cwt.*
Argentina ...	¾ ct. per kg.*†	Free... ...	1*s.* 6*d.* per cwt.*†	Free.
Empire:				
India	Free... ...	2½% *ad val.*	Free ...	2½% *ad val.*
Australia ...	20% *ad val.*	27½% *ad val.*	20% *ad val.*	27½% *ad val.*
Union of South Africa.	Free... ...	Free... ...	Free ...	Free.
Ceylon ...	Free... ...	Free... ...	Free ...	Free.

* Gross weight. † But free if for certain purposes (*e.g.* mining).

Note.—The above markets absorbed about 75% of the total exports of oil (including Diesel) internal combustion prime movers in 1922, India and Egypt being the most important markets.

III.—SHIPBUILDING.

(1) *Merchant Vessels (Iron and Steel, 5,000 tons gross).*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Russia ...	Free	Free	Free	Free.
Sweden ...	Free	Free	Free	Free.
Norway ...	Free	Free	Free	Free.
Denmark .	Free	Free	Free	Free.
Germany .	Free	Free	Free	Free.
Nether-lands	1 % *ad val.* ...	1 % *ad val.* ...	1 % *ad val.* ...	1 % *ad val.*
France ...	2 fcs. per ton measurement.	2 fcs. per ton measurement.	1*s.* 7*d.* per ton measurement.	6*d.* per ton measurement.
Spain ...	12 pes. per ton burden.	15 pes. (gold) per ton burden.	9*s.* 7*d.* per ton burden.	15*s.* 2*d.* per ton burden.
Italy ...	Free	Free	Pree	Free.
Asia—				
Japan ...	15 yen per gross ton.	15 yen per gross ton.	£1 10*s.* per gross ton.	25*s.* 6*d.* per gross ton.
America—				
Chile ...	Free	Free	Free	Free.
Argentina.	Free	Free	Free	Free.
Empire :				
Australia ...	Free,... ...	Free	Free	Free.

Note.—The foreign markets specified above absorbed 77 % and 97 % respectively, of the total exports to foreign countries in 1913 and 1922.

Australia was the most important Empire market, taking 50 % and 80 % respectively, of the Exports to Empire destinations.

Four times as much tonnage is sent to foreign countries as to Empire markets.

IV.—ELECTRICAL INDUSTRIES.

Electric Wire or Cable; insulated (other than rubber insulation).

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Norway ...	Free... ...	46¾ öre (gold) per kg.†	Free ...	29*s.* per cwt.†
Netherlands .	5 % *ad val.*...	5 % *ad val.*...	5 % *ad val.*	5 % *ad val.*
Germany ...	15 mks. per 100 kgs.*	15 mks. (gold) per 100 kgs.*	7*s.* 6*d.* per cwt.*	8*s.* 2*d.* per cwt.*
Spain ...	100 pes. per 100 kgs.*	200 pes. (gold) per 100 kgs.*	£2 0*s.* 8*d.* per cwt.*	89*s.* 6*d.* per cwt.*
Asia—				
China ...	5 % *ad val.*.....	5 % *ad val.*...	5 % *ad val.*	5 % *ad val.*
Japan ...	25% *ad val.*	25% *ad val.*	25 % *ad val.*	25% *ad val.*
America—				
Chile ...	10 cts. per kg.*	15 cts. per kg.*	7*s.* 8*d.* per cwt.*	11*s.* 6*d.* per cwt.*
Argentina ...	18.9 cts. per kg.*	35.84 cts. per kg.*	£1 18*s.* 5*d.* per cwt.*	65*s.* 6*d.* per cwt.*
Empire :				
Australia ...	Free... ...	Free†† ...	Free ...	Free.††
India	5 % *ad val.*...	15% *ad val.*	5 % *ad val.*	15 % *ad val.*
Union of South Africa.	Free... ...	Free... ...	Free ...	Free.
New Zealand ...	Free... ...	1 % *ad val.***	Free ...	1% *ad val* **
Canada ...	17½ % *ad val.*	15¾ % *ad val.*	17½% *ad val.*	15¾% *ad val.*

* Gross weight.

† But the customs may admit duty-free if the core or cores are not articles which can be made in Norway, or if the insulation cannot be carried out in Norway.

†† But 25 % *ad val.* if covered with cotton.

** "Primage" duty.

Note.—(1) Exports to Empire markets are about twice as large as exports to foreign countries.

(2) The foreign markets specified above absorbed about 90 % of the exports to foreign countries in 1913 and 1922; and the Empire markets took about 90 % of the exports to Empire destinations.

V.—COAL, COKE AND PATENT FUEL.

(1) *Coal.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Russia ...	1½ cop per poud*	Free** ...	2*s.* per ton.*	Free.**
Sweden ...	Free... ...	Free... ...	Free ...	Free.
Norway ...	Free... ...	Free... ...	Free ...	Free.
Denmark ...	Free... ...	Free... ...	Free ...	Free.
Germany ...	Free... ...	Free... ...	Free ...	Free.
Netherlands	Free... ...	Free... ...	Free ...	Free.
Belgium ...	Free... ...	Free... ...	Free ...	Free.
France and Algeria ...	12 cts. per 100 kgs. †	12 cts. per 100 kgs.†	1*s.* per ton†	3½*d.* per ton.†
Portugal ...	3½½ cts. per ton. †	10 cts. (gold) per ton.†	1*s.* 4*d.* per ton†	5½*d.* per ton.†
Spain ...	3½ pes. per 1,000 kgs. †	4 pes. (gold) per 1,000 kgs.††	2*s.* 10*d.* per ton.†	3*s.* 7*d.* per ton.††
Italy ...	Free... ...	Free... ...	Free ...	Free.
Greece ...	Free... ...	Free... ...	Free ...	Free.
Turkey (including Asiatic).	11 % *ad val.*	10 piastres per 100 kgs.	11% *ad val.*	2*s.* 6*d.* per ton.
Africa—				
Egypt ...	4 % *ad val.*...	8 % *ad val.*	4 % *ad val.*	8 % *ad val.*
America—				
United States	Free... ...	Free... ...	Free ...	Free.
Brazil ...	1½ milreis (paper) per ton (*a*).	19½ milreis (paper) per ton (*b*).	1*s.* 10*d.* per ton (*a*)	9*s.* per ton (*b*).
Argentina ...	Free... ...	Free... ...	Free ...	Free.

* If imported *via* Baltic ports or over the western land frontier. Free if imported at White Sea ports, but four times the rate shown if imported at Black Sea or Azov Ports.

** But pays 45 rbs. per 100 kilogs. when imported at Black Sea or Azov Ports.

† Gross weight.

†† Up to 750,000 tons per annum.

(*a*) Free of Customs duty proper, but subject to "expediente" and port taxes.

(*b*) Includes port taxes. Slightly less when imported by gas companies.

Notes.—(1) The above markets absorbed 90 % and 86 % respectively of the total exports of coal in 1913 and 1922.

(2) Normally, the exports of coal to Empire destinations is small, and of this the bulk goes to coaling stations (Gibraltar, Aden, Malta, Ceylon, etc.), where it is duty free. In 1922 Canada, usually quite a small market, took over 800,000 tons (American strike), and the large Indian imports in 1921 and 1922 (800,000 and 1,144,000 tons respectively) were exceptional.

(2) *Coke.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Russia ...	2½ cop. per poud*	Free** ...	2*s.* 11*d.* per ton*	Free**
Sweden ...	Free... ...	Free... ...	Free ...	Free.
Norway ...	Free... ...	Free... ...	Free ...	Free.
Denmark ...	Free... ...	Free... ...	Free ...	Free.
Germany ...	Free... ...	Free... ...	Free ...	Free.
Netherlands ..	Free... ...	Free... ...	Free ...	Free.
Spain ...	4 pes. per 1,000 kgs. (gross).	9 pes. (gold) per 1,000 kgs. (gross).	3*s.* 3*d.* per ton (gross).	8*s.* per ton (gross).
Italy ...	Free... ...	Free... ...	Free ...	Free.
America—				
Argentina ...	Free... ...	Free... ...	Free ...	Free.

* If imported via Baltic ports or over the Western land frontier. Free if imported at White Sea Ports, but paid four times the rate shown if imported at Black Sea or Azov Ports.

** But pays 60 rbls. per 100 kilogs if imported at Black Sea or Azov Ports.

Notes.—(1) The above markets absorbed 70% and 80%, respectively, of the total exports of coke in 1913 and 1922.

(2) Exports of coke to Empire destinations are insignificant.

(3) *Manufactured Fuel.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
France and Algeria.	12 cts. per 100 kgs.*	12 cts. per 100 kgs.*	1*s.* per ton.*	3½d. per ton.*
Spain ...	4 pes. per 1,000 kgs.*	9 pes. (gold) per 1,000 kgs.*	3*s.* 3*d.* per ton.*	8*s.* per ton *
Italy ...	Free... ...	Free... ...	Free ...	Free.
Switzerland...	Free... ...	30 cts. per 100 kgs.*	Free ...	2*s.* 6*d.* per ton.*
Africa—				
Egypt ...	4 % *ad val.*...	8 % *ad val.*	4 % *ad val.*	8 % *ad val*
America—				
Chile ...	Free... ...	3 pesos per ton metric.*	Free ...	4*s.* 6*d.* per ton.*
Brazil ...	1½ milreis (paper) per ton.(*a*)	19½ milreis (paper) per ton.(*b*)	1*s.* 10*d.* per ton.(*a*)	9*s.* per ton(*b*)
Argentina ...	Free... ...	Free... ...	Free ...	Free.

* Gross weight.

(*a*) Free of Customs duty proper, but subject to "expediente" and port taxes.

(*b*) Includes port taxes. Slightly less when imported by gas companies.

Notes.—(1) The above markets absorbed 70 % and 76 % respectively, of the total exports of manufactured fuel in 1913 and 1922.

(2) The exports of manufactured fuel to Empire destinations are small.

VI.—COTTON YARNS AND PIECE GOODS.

(1) *Cotton Yarns, Single, Grey (40's).*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Russia ...	11 rbls. per poud.	104 rbls. per 100 kgs.	7·7*d.* per lb.	13·2*d.* per lb.
Poland ...	Russian, Austro-Hungarian and German Tariffs applicable ...	99·2 zl. per 100 kgs.	Russian, Austro-Hungarian & German Tariffs applicable.	4·7*d.* per lb.
Sweden ...	20 öre per kg.	20 öre per kg.	1·2*d.* per lb.	1·3*d.* per lb.
Norway ...	12 öre per kg.	16 öre (gold) per kg.	0·7*d.* per lb.	1·1*d.* per lb.
Germany ...	18 mks. per 100 kg.	18 mks. (gold) per 100 kgs.	1*d.* per lb.	1·1*d.* per lb.
Netherlands .	Free... ...	Free... ...	Free ...	Free.
Belgium ...	15 frs. per 100 kgs.	60 frs. per 100 kgs.	0·6*d.* per lb.	0·7*d.* per lb.
France ...	35 frs. per 100 kgs.	157½ frs. per 100 kgs.	1·5*d.* per lb.	2·1*d.* per lb.
Switzerland...	20 frs. per 100 kgs.*	30 frs. per 100 kgs.*	0·9d. per lb.*	1·4*d.* per lb.*
Roumania ...	3 lei per 100 kgs.	21 lei per 100 kgs.	0·1*d.* per lb.	0·03*d.* per lb.
Turkey (including Asiatic) ...	11% *ad val.*	825 pias. per 100 kgs.	11% *ad val.*	1·1*d.* per lb.
Asia—				
China ...	0·95 Hk. tls. per picul.	3·40 Hk. tls. per picul.	0·3*d.* per lb.	1·1*d.* per lb.
Africa—				
Egypt ...	8% *ad val.* ...	8% *ad val.* ...	8% *ad val.*	8% *ad val.*
America—				
U.S.A. ...	15% *ad val.*	8 cts. per lb., but not less than 15 %, *ad val.*	15% *ad val.*	4·2*d.* per lb., but not less than 15% *ad val.*
Argentina ...	2 cts. per kg.	3·2 cts. per kg.	0·4*d.* per lb.	0·6*d.* per lb.
Empire :				
India	Free... ...	5% *ad val.* ...	Free ...	5% *ad val.*
Canada ...	Free... ...	Free... ...	Free ...	Free.

* Gross weight.

Notes.—(1) The 14 foreign markets specified above absorbed, in 1913 and 1922 respectively, 94% and 91% of the total exports of grey cotton yarns (all counts, single or twisted) to foreign destinations. Of exports to Empire destinations, India and Canada (the former easily the more important) took, in those years, 90% and 88% respectively of the exports to Empire markets.

(2) The quantities of unbleached yarns sent to Empire markets is very much less than that sent to foreign countries.

(2) *Cotton Yarns, Single, Bleached (40's).*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Denmark ...	10 öre per kg.	10 öre per kg.	0·6*d.* per lb.	0·4*d.* per lb.
France ...	40½ frs. per 100 kgs.	181·1 frs. per 100 kgs.	1·7*d.* per lb.	2·4*d.* per lb.
Greece ...	66 dr. per 100 okes.	72·6 dr. (met.) per 100 okes.	2·3*d.* per lb.	2·5*d.* per lb.
Bulgaria ...	55 leva per 100 kgs.	110 leva per 100 kgs.	2·4*d.* per lb.	3·2*d.* per lb.
Turkey (including Asiatic)	11% *ad val.*	1,000 piastres per 100 kgs.	11% *ad val.*	1·3*d.* per lb.
Asia—				
Syria ...	Included under Turkey.	15% *ad val.*...	11% *ad val.*	15% *ad val.*
Siam ...	3% *ad val.*...	3% *ad val.*...	3% *ad val.*	3% *ad val.*
Philippine Islands	15% *ad val.*...	15% *ad val.*...	15% *ad val.*	15% *ad val.*
Africa—				
Egypt ...	8% *ad val.*...	8% *ad val* ...	8% *ad val.*	8% *ad val.*
America—				
United States	17½% *ad val.*...	10 cts. per lb. but not less than 20% *ad val.*	17½% *ad val.*	5·3*d.* per lb. but not less than 20% *ad val.*
Colombia ...	8 cts. per kg.	13·2 cts. per kg.	1·7*d.* per lb.	3·2*d.* per lb.
Brazil ...	600 reis per kg.	600 reis per kg.	5·5*d.* per lb.	5·5*d.* per lb.
Empire :				
India	Free... ...	5% *ad val.*...	Free ...	5% *ad val.*
Canada ...	Free... ...	Free... ...	Free ...	Free.

Notes.—(1) India is easily the most important market for bleached and dyed cotton yarns, and takes more than all foreign countries put together, and from 45 to 50% of total exports.

(2) 74% and 65% of the total exports of bleached and dyed cotton yarns (all counts, single or twisted) to foreign destinations were divided among the 12 foreign countries specified, in 1913 and 1922 respectively.

(3) *Cotton Yarns, Single, Dyed* (40's).

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
France ...	65 frs. per 100 kgs.	292½ frs. per 100 kgs.	2·8*d.* per lb.	3·8*d.* per lb.
Denmark	25 öre per kg.	25 öre per kg.	1·5*d.* per lb.	1*d.* per lb.
Greece ...	80 dr. per 100 okes.	88 dr. (met.) per 100 okes.	2·7*d.* per lb.	3·0*d.* per lb.
Bulgaria ...	65 leva per 100 kgs.	150 leva per 100 kgs.	2·8*d.* per lb.	4·4*d.* per lb.
Turkey (including Asiatic) ...	11 % *ad val.*	1200 pias. per 100 kgs.	11 % *ad val.*	1·6*d.* per lb.
Asia—				
Syria ...	11 % *ad val.*	15 % *ad val.*	11 % *ad val.*	15 % *ad val.*
Siam ...	3 % *ad val.*	3 % *ad val.*	3 % *ad val.*	3 % *ad val.*
Philippine Islands	15 % *ad val.*	15 % *ad val.*	15 % *ad val.*	15 % *ad val.*
Africa—				
Egypt ...	8 % *ad val.*	8 % *ad val.*	8 % *ad val.*	8 % *ad val.*
America—				
U.S.A. ...	17½ % *ad val.*	10 cts. per lb. but not less than 20 % *ad val.*	17½ % *ad val.*	5·3*d.* per lb. but not less than 20 % *ad val.*
Colombia ...	10 cts. per kg.	16.5 cts. per kg.	2·2*d.* per lb.	4*d.* per lb.
Brazil ...	700 reis per kg.	700 reis per kg.	6·4*d.* per lb.	6·4*d.* per lb.
Empire:				
India	Free... ...	5 % *ad val.*	Free ...	5 % *ad val.*
Canada... ...	Free... ...	Free... ...	Free ...	Free.

Notes.—(1) India is easily the most important market for bleached and dyed cotton yarns, and takes more than all foreign countries put together, and from 45 to 50 % of total exports.

(2) 74 % and 65 % of the total exports of bleached and dyed cotton yarns (all counts, single or twisted) to foreign countries were divided among the 12 foreign markets specified, in 1913 and 1922 respectively.

(4) *Cotton Piece Goods, Plain, Unbleached, weighing 100 gms. per sq. metre.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Sweden ...	65 öre per kg.	65 öre per kg.	3·9*d.* per lb.	4·2*d.* per lb.
Norway ...	25 öre per kg.	33⅓ öre (gold) per kg.	1·5*d.* per lb.	2·2*d.* per lb.
Denmark ...	40 öre per kg.	40 öre per kg. ...	2·4*d.* per lb.	1·7*d.* per lb.
Germany ...	50 mks. per 100 kgs.	50 mks. (gold) per 100 kgs.	2·7*d.* per lb.	3·0*d.* per lb.
Netherlands	5% *ad val.* ...	5% *ad val.* ...	5% *ad val.*	5% *ad val.*
Belgium ...	60 frs. per 100 kgs.	180 frs. per 100 kgs.	2·6*d.* per lb.	2·2*d.* per lb.
France ...	111 frs. per 100 kgs.	499½ frs. per 100 kgs.	4·8*d* per lb.	6·5*d.* per lb.
Switzerland	10 frs. per 100 kgs.*	20 frs. per 100 kgs.*	0·4*d.* per lb.*	0·9*d.* per lb.*
Spain ...	3½ pes. per kg.	5 pes. (gold) per kg.	1*s.* 3*d.* per lb.	2*s.* 0*d.* per lb.
Italy ...	75 lire per 100 kgs.	110½ lire (gold) per 100 kgs.	3·3*d.* per lb.	5·3*d.* per lb.
Turkey (including Asiatic).	11% *ad val.*...	2,000 pias. per 100 kgs.	11% *ad val.*	2·7*d.* per lb.
Asia—				
Syria ...	11% *ad val.*...	15% *ad val.* ...	11% *ad val.*	15% *ad val.*
China ...	0·10 Hk. tls. per piece†	0·28 Hk. tls. per piece†	4*d.* per piece†	11·3*d.* per piece†
Japan ...	13½ yen per 100 kin.	13½ yen per 100 kin.	2·5*d.* per lb.	2·1*d.* per lb.
Dutch East Indies	6% *ad val.*...	10% *ad val.* ...	6% *ad val.*	10% *ad val.*
Africa—				
Egypt ...	8% *ad val.*...	8% *ad val.* ...	8% *ad val.*	8% *ad val.*
America—				
United States	17½% *ad val.*	16 cts. per lb. but not less than 20% *ad val.*	17½% *ad val.*	8·5*d.* per lb. but not less than 20% *ad val.*
Argentina ..	18·9 cts. per kg.	14 cts. per kg....	4·1*d.* per lb.	2·7*d.* per lb.
Empire :				
India ...	3½% *ad val.*‡	11% *ad val.*‡ ...	3½% *ad val.*‡	11% *ad val.*‡
Australia ...	Free	Free	Free ...	Free.
New Zealand	Free	1% *ad val.*†† ...	Free ...	1% *ad val.*††
Canada ...	15% *ad val.*...	12½% *ad val.* ...	15% *ad val.*	12½% *ad val.*

* Gross weight. † Piece not exceeding 40 in. wide and 40 yards long, weight 9 to 11 lbs. ‡ Excise duty on piece goods of Indian manufacture, 3½% *ad val.* both in 1914 and at present. †† "Primage" duty.

Notes.—(1) India is easily the most important market for grey unbleached cotton piece goods, taking, in 1914 and 1923 respectively, 58% and 43% of the total exports.

(2) The 4 Empire markets (including India) quoted above took in 1913 and 1923 respectively 90% and 92% of the exports to Empire destinations; and the 18 foreign markets took 95% and 93%, respectively, of the exports to foreign destinations.

(3) The Empire takes from 60 to 100% more grey goods than foreign countries do.

(5) *Cotton Piece Goods, Plain, Bleached, weighing 100 gms. per sq. metre.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Sweden ...	1.15 kr. per kg.	1.15 kr. per kg. ...	7·0d. per lb.	7·5d. per lb.
Norway ...	50 öre per kg. ...	66⅔ öre (gold) per kg.	3·0d. per lb.	4·4d. per lb.
Denmark ...	70 „ „ „ ...	70 öre per kg. ...	4·2d. per lb.	3.0d. per lb.
Germany ...	70 mks. per 100 kgs.	70 mks. (gold) per 100 kgs.	3·7d. per lb.	4·1d. per lb.
Netherlands	5 % *ad val.* ...	5 % *ad val.* ...	5 % *ad val.*	5 % *ad val.*
Belgium ...	69 frs. per 100 kgs.	207 frs. per 100 kgs.	3·0d. per lb.	2·5d. per lb.
Portugal ...	24 cts. per kg....	21 cts. (gold) per kg.	4·9d. per lb.	5·1d. per lb.
Greece ...	1 dr. per oke ...	1.10 dr. (met.) per oke.	3.4d. per lb.	3·7d. per lb.
Roumania ...	108 lei per 100 kgs.	36 lei per kg. ...	4.7d. per lb.	4·6d. per lb.
Turkey (including Asiatic).	11 % *ad val.* ...	2,800 pias. per 100 kgs.	11 % *ad val.*	3·7d. per lb.
Asia—				
Syria ...	11 % *ad val.* ...	15 % *ad val.* ...	11 % *ad val.*	15 % *ad val.*
China ...	0.135 Hk. tls. ... per piece.*	0.33 Hk. tls. per piece.*	4·8d per piece.*	13·4d. per piece.*
Japan ...	16½ yen per 100 kin.	16½ yen per 100 kin	3·1d. per lb.	2·6d. per lb.
Siam ...	3 % *ad val.* ...	3 % *ad val.* ...	3 % *ad val.*	3 % *ad val.*
Dutch East Indies.	6% *ad val.* ...	10 % *ad val.* ...	6 % *ad val.*	10 % *ad val.*
Africa—				
Egypt ...	8 % *ad val.* ...	8 % *ad val.* ...	8 % *ad val.*	8 % *ad val.*
Morocco ...	12½ % *ad val.* ...	12½ % *ad val.* ...	12½ % *ad val.*	12½ % *ad val.*
French West Africa.	63 frs. per 100 kgs.	207.75 frs. per 100 kgs.	2·7d. per lb.	2.7d. per lb.
America—				
United States	20 % *ad val.* ...	18 cts. per lb., but not less than 23 % *ad val.*	20 % *ad val*	9·5d. per lb., but not less than 23 % *ad val.*
Argentina ...	21.6 cts. per kg.	28.16 cts. per kg....	4·7d. per lb.	5·5d. per lb.
Cuba ...	42 cts. per kg....	42 cts. per kg. ...	9·5d. per lb.	10·1d. per lb.
Colombia ...	50 cts. „ „ ...	55 cts. „ „ ...	10·9d. per lb.	18.2d. per lb.
Chile ...	60 cts. „ „ ...	64 cts. „ „ ...	4·9d. per lb.	5·2d. per lb.
Brazil ...	2.2 milreis per kg.	2.2 milreis per kg.	20d. per lb.	20d. per lb.
Empire :				
India	3½ % *ad val.*† ...	11 % *ad val.*† ...	3½ % *ad val.*†	11 % *ad val.*†
Australia ...	Free	Free	Free ...	Free.
Canada ...	17½ % *ad val.*...	15 % *ad val.* ...	17½ % *ad val.*	15 % *ad val.*
Union of S. Africa.	12 % *ad val.* ...	12 % *ad val.* ...	12 % *ad val.*	12 % *ad val.*
Iraq	11 % *ad val.* ...	15 % *ad val.* ...	11 % *ad val.*	15 % *ad val.*
Nigeria ...	10 % *ad val.* ...	15 % *ad val.* ...	10 % *ad val.*	15 % *ad val.*
New Zealand ...	Free	1 % *ad val.*‡ ...	Free ...	1 % *ad val.*‡
Ceylon ...	4 % *ad val.* ...	5½ % *ad val.* ...	4 % *ad val.*	5½ % *ad val.*

* Piece not exceeding 37 ins. wide and not exceeding 42 yards long. ‡ "Primage" duty.

† Excise duty on piece goods of Indian manufacture, 3½ % *ad val.* both in 1914 and at present.

Notes.—(1) India is easily the most important market for bleached cotton piece goods, taking, in 1913 and 1923 respectively, 33 % and 26 % of total exports. China comes next with 15 % and rather under 10 % in the two years.

(2) The 8 Empire markets specified above took, in 1913 and 1923, about 85 % of the exports of bleached piece goods to Empire markets ; and the 24 foreign markets quoted took 87 % of the exports to foreign countries. The Empire takes roughly the same quantity of bleached goods as foreign countries do.

(6) *Cotton Piece Goods, Plain, Printed, weighing* 100 *gms. per sq. m.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Denmark ...	96 öre per kg. ...	96 öre per kg. ...	5·8*d.* per lb.	4·1*d.* per lb.
Germany ...	100 mks. per 100 kgs.	100 mks. (gold) per 100 kgs.	5·4*d.* per lb.	5·9*d.* per lb.
Netherlands	5% *ad val.* ...	5% *ad val.*	5% *ad val.*	5% *ad val.*
Belgium ...	80 frs. per 100 kgs.	240 frs. per 100 kgs.	3·5*d.* per lb.	2.9*d.* per lb.
Greece ...	1.2 dr. per oke ...	1.32 dr. (met.) per oke	4·1*d.* per lb.	4·5*d.* per lb.
Roumania...	108 lei per 100 kgs.	42 lei per kg. ...	4·7*d.* per lb.	5·4*d.* per lb.
Turkey (including Asiatic)...	11% *ad val.* ...	2,800 pias. per 100 kgs.	11% *ad val.*	3·7*d.* per lb.
Asia—				
Netherlands East Indies	6% *ad val.* ...	10% *ad val.* ...	6% *ad val.*	10% *ad val.*
Syria ...	11% *ad val.* ...	15% *ad val.* ...	11% *ad val.*	15% *ad val.*
Persia ...	1 tom. 2 kr. per 10 batman.	2.40 kr. per batman	0·8*d.* per lb.	1·9*d.* per lb.
China ...	0.080 Hk. tls. per piece.*	0.19 Hk. tls. per piece.*	2·9*d.* per piece.*	7·7*d.* per piece.*
Africa—				
Belgian Congo ...	10% *ad val.* ...	15% *ad val.* ...	10% *ad val.*	15% *ad val.*
French West Africa ...	91 frs. per 100 kgs.	300.51 frs. per 100 kgs.	4·0*d.* per lb.	3 9*d.* per lb.
Egypt ...	8% *ad val.* ...	8% *ad val.* ...	8% *ad val.*	8% *ad val.*
America—				
U.S.A. ...	20% *ad val.* ...	22 cts. per lb. but not less than 40% *ad val.*†	20% *ad val.*	11·7*d.* per lb. but not less than 40% *ad val.*†
Colombia ...	63 cts. per kg. ...	69.3 cts. per kg. ...	13.7*d.* per lb.	16·8*d.* per lb.
Chile ...	1.08 pesos per kg.	1.10 pesos per kg.	8·8*d.* per lb.	9*d.* per lb.
Brazil ...	3 milreis per kg.	3 milreis per kg. ...	27½*d.* per lb.	27½*d.* per lb.
Argentina...	24.30 cts. per kg.	31.68 cts. per kg....	5·3*d.* per lb.	6·2*d.* per lb.
Empire :				
India... ...	3½% *ad val.*‡ ...	11% *ad val.*‡ ...	3½% *ad val.*‡	11% *ad val.*‡
Australia ...	Free	Free	Free ...	Free.
Iraq	11% *ad val.* ...	15% *ad val.* ...	11% *ad val.*	15% *ad val.*
Canada ...	25% *ad val.* ...	20¼% *ad val.*	25% *ad val.*	20¼% *ad val.*
Union of S. Africa ...	12% *ad val.* ...	12% *ad val.* ...	12% *ad val.*	12% *ad val.*
Nigeria ...	10% *ad val.* ...	15% *ad val.* ...	10% *ad val.*	15% *ad val.*
Gold Coast ...	4 or 10% *ad val.*	20% *ad val.* ...	4 or 10% *ad val.*	20% *ad val.*
New Zealand ..	Free	1% *ad val.*†† ...	Free ...	1% *ad val.*††

* Per piece from 20 to 31 inches wide and not exceeding 30 yards long. †† "Primage" duty.

† 4% *ad valorem* extra if printed with vat dyes. ‡ Excise duty on piece goods of Indian manufacture, 3½% *ad val.*, both in 1914 and at present.

Notes.—(1) India is easily the most important market for prints, having taken in 1913 and 1923 respectively, 34% and 22% of total exports. The next most important markets are Egypt, British West Africa, Dutch East Indies, Argentina, Turkey (Iraq) and Australia.

(2) The 8 Empire markets specified above took, in 1913 and 1923, about 88% of the exports of prints to Empire destinations; and the 19 foreign countries took about 82% of the exports to foreign destinations.

(3) The Empire takes, roughly, the same quantity of printed goods as foreign countries do.

(7) *Cotton Piece Goods, Plain, Dyed (in the piece), weighing 100 gms. per sq. m.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Sweden ...	1.15 kr. per kg. ...	1.15 kr. per kg. ...	7·0*d.* per lb.	7·5*d.* per lb.
Norway ...	75 öre per kg. ...	100 öre (gold) per kg.	4·5*d.* per lb.	6·7*d.* per lb.
Denmark ...	70 öre per kg. ...	70 öre per kg. ...	4·2*d.* per lb.	3·0*d.* per lb.
Germany ...	1 mk. per kg. ...	100 mks. (gold) per 100 kgs.	5·4*d.* per lb.	5·9*d.* per lb.
Netherlands	5% *ad val.* ...	5% *ad val.*.... ...	5% *ad val.*	5% *ad val.*
Belgium ...	80 frs. per 100 kgs.	240 frs. per 100 kgs.	3·5*d.* per lb.	2·9*d.* per lb.
France ...	141 frs per 100 kgs.	705 frs. per 100 kgs.	6·1*d.* per lb.	9·2*d.* per lb.
Portugal ...	80 cts. per kg. ...	40 cts. (gold) per kg.	1*s.*4½*d.* per lb.	9·8*d.* per lb.
Roumania...	108 lei per 100 kgs.	39 lei per kg. ...	4·7*d.* per lb.	5*d.* per lb.
Italy ...	1 lira per kg. ...	146½ lire (gold) per 100 kgs.	4.4*d.* per lb.	7·0*d.* per lb.
Turkey (including Asiatic)...	11% *ad val.* ...	2,800 pias. per 100 kgs.	11% *ad val.*	3·7*d.* per lb.
Asia—				
Syria ...	11% *ad val.* ...	15% *ad val.* ...	11% *ad val.*	15% *ad val.*
Netherlands East Indies	6% *ad val.* ...	10% *ad val.* ...	6% *ad val.*	10% *ad val.*
China ...	0.15 Hk. tls. per piece.*	0.35 Hk. tls. per piece.*	5·3*d.* per piece.*	14·2*d.* per piece.*
Japan ...	20½ yen per 100 kin.	20½ yen per 100 kin.	3·8*d.* per lb.	3·2*d.* per lb.
Africa—				
French West Africa ...	75 frs. per 100 kgs.	246.75 frs. per 100 kgs.	3·2*d.* per lb.	3·3*d.* per lb.
Egypt ...	8% *ad val.* ...	8% *ad val.*.... ...	8% *ad val.*	8% *ad val.*
America—				
U.S.A. ...	20% *ad val.* ...	22 cts. per lb., but not less than 40% *ad val.*†	20% *ad val.*	11·7*d.* per lb. but not less than 40% *ad val.*†
Mexico ...	18.7 cts. per sq. m.	4.40 pesos per kg....	1*s.* 8¾*d.* per lb.	4*s.* 6*d.* per lb.
Colombia ...	63 cts. per kg. ...	69.3 cts. per kg. ...	13·7*d.* per lb.	16·8*d.* per lb.
Chile ...	1.08 pesos per kg.	1.10 pesos per kg....	8·8*d.* per lb.	9*d.* per lb.
Brazil ...	2 milreis per kg....	2 milreis per kg. ...	1*s.* 8¼*d.* per lb.	1*s.* 8¼*d.* per lb.
Argentina...	24.3 cts. per kg. ...	31.68 cts. per kg. ...	5·3*d.* per lb.	6·2*d.* per lb.
Empire :—				
India... ...	3½% *ad val.*‡ ...	11% *ad val.*‡ ...	3½% *ad val.*‡	11% *ad val.*‡
Australia ...	Free	Free	Free ...	Free.
Union of South Africa ...	12% *ad val.* ...	12% *ad val.* ...	12% *ad val.*	12% *ad val.*
Canada ...	25% *ad val.* ...	20½% *ad val.* ...	25% *ad val.*	20½% *ad val.*
Iraq	11% *ad val.* ...	15% *ad val.* ...	11% *ad val.*	15% *ad val.*
New Zealand .	Free	1% *ad val.*†† ...	Free ...	1% *ad val.*††

* Per piece not exceeding 36 inches wide and not exceeding 43 yards long. † 4% *ad valorem* extra if dyed with vat dyes. †† "Primage" duty. ‡ Excise duty on piece goods of Indian manufacture, 3½% *ad val.* both in 1914 and at present.

Notes.—(1) India and China are the biggest markets for dyed goods (India, 17% of total exports in 1913, and 12% in 1923; China, 15% and 13% respectively), the next biggest markets being Australia, Argentina, U.S.A., Brazil, South Africa and Turkey (Iraq).

(2) The six Empire markets shown took, in 1913 and 1923, just over 75% of the exports of dyed piece goods to Empire destinations; and the 23 foreign countries specified took just over 80% of the exports to foreign destinations.

(3) Exports of dyed piece goods to the Empire are about two-thirds as large as exports to foreign destinations.

VII.—WOOLLEN AND WORSTED PIECE GOODS.

(1) *Piece Goods, all Wool, Heavy* (500 *gms. to the sq. metre*).

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Denmark ...	1·20 kr. per kg.	1·20 kr. per kg.	7·3*d.* per lb.	5·1*d.* per lb.
Germany ...	1·50 mks. per kg.	1·75 mks. (gold) per kg.	8*d.* per lb.	10·3*d.* per lb.
Netherlands	5 % *ad val.* ...	5 % *ad val.* ...	5 % *ad val.*	5 % *ad val.*
Belgium ...	60 frs. per 100 kgs.	180 frs. per 100 kgs.	2·6*d.* per lb.	2.2*d.* per lb.
France ...	180 frs. per 100 kgs.	720 frs. per 100 kgs.	7·8*d.* per lb.	9·4*d.* per lb
Italy ...	160 lire per 100 kgs.	300 lire (gold) per 100 kgs.	7*d.* per lb.	14·4*d.* per lb.
Austria ...	200 krs. per 100 kgs.	200 krs. (gold) per 100 kgs.	9·1*d.* per lb.	6·8*d.* per lb.
Greece ...	7·25 dr. per oke.	3·08 dr. (met.) per oke.	2*s.* 0½*d.* per lb.	10·6*d.* per lb.
Turkey (including Asiatic).	11 % *ad val.*	7,000 pias. per 100 kgs.	11 % *ad val.*	9·3*d.* per lb.
Asia—				
China ...	0·047½ Hk. tls. per yard.*	0·15 Hk. tls. per yard.†	1·7*d.* per yard.*	6·1*d.* per yard.†
Japan ...	45 yen per 100 kin.	45 yen per 100 kin.	8·3*d.* per lb.	7·1*d.* per lb.
Africa—				
Egypt ...	8% *ad val.* ...	8 % *ad val.* ...	8 % *ad val.*	8 % *ad val.*
America—				
U.S.A. ...	35 % *ad val.*	45 cts. per lb. plus 50 % *ad val.*	35 % *ad val.*	23·8*d.* per lb. plus 50 % *ad val.*
Chile ...	1·35 pesos per kg.	1·50 pesos per kg.	11*d.* per lb.	12·3*d.* per lb.
Brazil ...	4·2 milreis per kg.	4.2 milreis per kg.	38·2*d.* per lb.	38·2*d.* per lb.
Argentina ...	80 cts. per kg.	1·28 pesos per kg.	17*d.* per lb.	25*d.* per lb.
Empire :				
Canada ...	30 % *ad val.*	24¾ % *ad val.*	30 % *ad val.*	24¾ % *ad val.*
Australia ...	25 % *ad val.*	30 % *ad val.* ...	25 % *ad val.*	30 % *ad val.*
New Zealand...	20 % *ad val.*	21 % *ad val.***	20 % *ad val.*	21 % *ad val.***
Union of S. Africa.	12 % *ad val.*	12 % *ad val.* ...	12 % *ad val.*	12 % *ad val.*
India... ...	5 % *ad val.*...	15 % *ad val.* ...	5 % *ad val.*	15 % *ad val.*

* Not exceeding 76 inches wide. † Not over 60 inches wide.

** Including 1% "primage" duty.

Notes.—(1) The value of exports of woollen and worsted piece goods (all wool) to foreign countries is from twice to three times as great as the value of the exports to Empire destinations.

(2) The 16 foreign markets specified above absorbed about 85% of the exports to foreign destinations in 1913 and 1922 ; and the 5 Empire markets took over 90% of the exports to Empire destinations

(2) *Piece Goods (Wool, Cotton Warp), Heavy (500 gms. to the sq. metre).*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
Denmark ...	1·20 kr. per kg.	1·20 kr. per kg.	7·3*d.* per lb.	5·1*d.* per lb.
Germany ...	1.50 mks. per kg.	1·75 mks.(gold) per kg.	8*d.* per lb.	10·3*d.* per lb.
Netherlands...	5% *ad val.* ...	5% *ad val.* ...	5% *ad val*	5% *ad val.*
Belgium ...	60 frs. per 100 kgs.	180 frs. per 100 kgs.	2·6*d.* per lb.	2.2*d.* per lb.
France ...	75 frs. per 100 kgs.	225 frs. per 100 kgs.	3·3*d.* per lb.	2.9*d.* per lb.
Italy... ...	160 lire per 100 kgs.	221 lire (gold) per 100 kgs.	7*d.* per lb.	10·6*d.* per lb.
Greece ...	1 dr. per oke	1·1 dr. (met.) per oke.	3.4*d.* per lb.	3·8*d.* per lb.
Turkey (including Asiatic).	11% *ad val.*...	4,500 pias. per 100 kgs.	11% *ad val.*	6*d.* per lb.
Asia—				
China ...	5% *ad val.* ...	5% *ad val.*	5% *ad val.*	5% *ad val.*
Japan ...	30 yen per 100 kin.	30 yen per 100 kin.	5·6*d.* per lb.	4·8*d.* per lb.
Africa—				
Egypt ...	8% *ad val.* ...	8% *ad val.* ...	8% *ad val.*	8% *ad val.*
America—				
United States	35% *ad val.*...	45 cts. per lb. on wool content, plus 50% *ad val.*	35% *ad val.*	23·8*d.* per lb. on wool content, plus 50% *ad val.*
Chile ...	1·35 pesos per kg.	1·50 pesos per keg.	11*d.* per lb.	12·3*d.* per lb.
Brazil ...	2·4 milreis per kg.	2.4 milreis per kg.	21·8*d.* per lb.	21·8*d.* per lb.
Argentina ...	48 cts. per kg.	76·8 cts. per kg.	10·5*d.* per lb.	15·0*d.* per lb.
Empire:				
Canada ...	30% *ad val.*...	24¾% *ad val.*	30% *ad val.*	24¾% *ad val.*
Australia ...	25% *ad val.*...	30% *ad val.*...	25% *ad val.*	30% *ad val.*
India	5% *ad val.*...	15% *ad val.*...	5% *ad val.*	15% *ad val.*
New Zealand...	20% *ad val.*...	21% *ad val.**	20% *ad val.*	21% *ad val.**
Union of South Africa ...	12% *ad val.*...	12% *ad val.*...	12% *ad val.*	12% *ad val.*

* Including "primage" duty.

Notes.—(1) The value of exports of woollen and worsted piece goods mixed with other materials (if known as "woollens" or "worsteds") to foreign countries is about twice as great as the value of exports to Empire destinations.

(2) The 15 foreign markets specified above absorbed in 1913 and 1922 respectively, 86% and 83% of exports to foreign destinations; and the 5 Empire markets absorbed 93% and 89% of exports to Empire destinations.

(3) *Piece Goods, all Wool, Light (200 gms. to the sq. metre).*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Denmark ...	1.30 kr. per kg.	1.30 kr. per kg.	7·9*d.* per lb.	5·5*d.* per lb.
Germany ...	2.2 mks. per kg.	2.2 mks. (gold) per kg.	11·8*d.* per lb.	12·9*d.* per lb.
Netherlands .	5% *ad val*	5% *ad val.* ...	5% *ad val.*	5% *ad val.*
Belgium ...	70 frs. per 100 kgs.	210 frs. per 100 kgs.	3·1*d.* per lb.	2·5*d.* per lb.
France ...	140 frs. per 100 kgs.	560 frs. per 100 kgs.	6·1*d.* per lb.	7·3*d.* per lb.
Italy ...	185 lire per 100 kgs.	336 lire (gold) per 100 kgs.	8·1*d.* per lb.	16·1*d* per lb.
Austria ...	262 kr. per 100 kgs.	262 kr. (gold) per 100 kgs.	11·9*d.* per lb.	8·9*d.* per lb.
Greece ...	11.60 dr. per oke.	6·6 dr. (met.) per oke.	3*s.* 3¾*d.* per lb.	22·6*d.* per lb.
Turkey (including Asiatic) ...	11% *ad val.*...	7,000 pias. per 100 kgs.	11% *ad val.*	9·3*d.* per lb.
Asia—				
China ...	0.047½ Hk. tls. per yard.*	0·15 Hk. tls. per yd.†	1·7*d.* per yd.*	6·1*d.* per yd.†
Japan ...	57.5 yen per 100 kin.	57·5 yen per 100 kin.	10·6*d.* per lb.	9·0*d.* per lb.
Africa—				
Egypt ...	8% *ad val.* ...	8% *ad val.* ...	8% *ad val.*	3% *ad val.*
America—				
U.S.A. ...	35% *ad val.*...	45 cts. per lb. plus 50% *ad val.*	35% *ad val.*	23·8*d.* per lb. plus 50% *ad val.*
Chile ...	1.8 pesos per kg.	2·10 pesos per kg.	15·8*d.* per lb.	18·5*d.* per lb.
Brazil ...	8 milreis per kg.	8 milreis per kg.	73*d.* per lb.	73*d.* per lb.
Argentina ...	96 cts. per kg.	1.536 pesos per kg.	21*d.* per lb.	30*d.* per lb.
Empire :				
Canada ...	30% *ad val.*...	24¾% *ad val.*	30% *ad val.*	24¾% *ad val.*
Australia ...	25% *ad val.*...	30% *ad val.* ...	25% *ad val.*	30% *ad val.*
New Zealand...	20% *ad val.*...	21% *ad val.* ‡	20% *ad val.*	21% *ad val.*‡
Union of South Africa	12% *ad val.*...	12% *ad val.* ...	12% *ad val.*	12% *ad val.*
India	5% *ad val.* ...	15% *ad val.* ...	5% *ad val.*	15% *ad val.*

* Not exceeding 76 inches wide. † Not over 60 inches wide.
‡ Including "primage" duty.

Notes.—(1) The value of exports of woollen and worsted piece goods (all wool) to foreign countries is from two to three times as great as the value of the exports to Empire destinations.

(2) The 16 foreign markets specified above absorbed about 85% of the exports to foreign destinations in 1913 and 1922 ; and the five Empire markets took over 90% of the exports to Empire destinations.

(4) *Piece Goods (Wool, Cotton Warp), Light (200 gms. to the sq. metre).*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign :				
Europe—				
Denmark ...	1·30 kr. per kg.	1.30 kr. per kg.	7·9*d.* per lb.	5·5*d.* per lb.
Germany ...	2·2 mks. per kg.	2·2 mks. (gold) per kg.	11·8*d.* per lb.	12·9*d.* per lb.
Netherlands..	5% *ad val.* ...	5% *ad val.* ...	5% *ad val.*	5% *ad val.*
Belgium ...	70 frs. per 100 kgs.	210 frs. per 100 kg.	3·1*d.* per lb.	2·5*d.* per lb.
France ...	150 frs. per 100 kgs.	450 frs. per 100 kg.	6·5*d.* per lb.	5·9*d.* per lb.
Italy... ...	185 lire per 100 kgs.	221 lire (gold) per 100 kg.	8·1*d.* per lb.	10·6*d.* per lb.
Greece ...	2 dr. per oke	2.2 dr. (met.) per oke.	6·9*d.* per lb.	7·6*d.* per lb.
Turkey (including Asiatic).	11% *ad val.*...	4,500 pias. per 100 kgs.	11% *ad val.*	6·0*d.* per lb.
Asia—				
China ...	5% *ad val.* ...	5% *ad val.* ...	5% *ad val.*	5% *ad val.*
Japan ...	42 yen per 100 kin.	52½ yen per 100 kin.	7·8*d.* per lb.	8·4*d.* per lb.
Africa—				
Egypt ...	8% *ad val.* ...	8% *ad val.* ...	8% *ad val.*	8% *ad val.*
America—				
U.S.A. ...	35% *ad val.*...	45 cts. per lb. on wool content, plus 50% *ad val.*	35% *ad val.*	23·8*d.* per lb. on wool content, plus 50% *ad val.*
Chile ...	1·80 pesos per kg.	2·10 pesos per kg.	15·8*d.* per lb.	18·5*d.* per lb.
Brazil ...	4·8 milreis per kg.	4·8 milreis per kg.	43½*d.* per lb.	43½*d.* per lb.
Argentina ...	57·6 cts. per kg.	92·16 cts. per kg.	12½*d.* per lb.	18*d.* per lb.
Empire :				
Canada... ...	30% *ad val.*...	24¾% *ad val.*	30% *ad val.*	24¾*d. ad val.*
Australia ...	25% *ad val.*...	30% *ad val.*...	25% *ad val.*	30% *ad val.*
India	5% *ad val.* ...	15% *ad val.*...	5% *ad val.*	15% *ad val.*
New Zealand ...	20% *ad val.*	21% *ad val.**	20% *ad val.*	21% *ad val.**
Union of South Africa ...	12% *ad val.*	12% *ad val.*	12% *ad val.*	12% *ad val.*

* Includes "primage" duty.

Notes.—(1) The value of exports of woollen and worsted piece goods mixed with other materials (if known as "woollens" or "worsteds") to foreign countries is about twice as great as the value of exports to Empire destinations.

(2) The 15 foreign markets specified above absorbed, in 1913 and 1922, respectively, 86% and 83% of exports to foreign destinations; and the 5 Empire markets took 93% and 89% of exports to Empire destinations.

VIII.—CLOTHING (INCLUDING BOOTS AND SHOES).

(1) *Men's Leather Boots and Shoes.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
Norway ...	2 kr. per kg....	2⅔ kr.(gold)per kg.	12·1*d.* per lb.	17·8*d.* per lb.
Germany ...	90 mks. per 100 kgs.	180 mks.(gold) per 100 kgs.	4·8*d.* per lb.	10·6*d.* per lb.
Netherlands ..	5% *ad val.*...	5% *ad val.*...	5% *ad val.*	5% *ad val.*
Belgium ...	10% *ad val* ...	10% *ad val.*...	10% *ad val.*	10% *ad val.*
France ...	2 frs. per pair	7·8 frs. per pair	19¼*d.* per pair.	21¼*d.* per pair.
Switzerland...	65 frs. per 100 kgs.	180 frs. per 100 kgs.	2·8*d.* per lb.	8·2*d.* per lb.
Italy ...	1 lira per pair	2½ lire (gold) per pair.	9½*d.* per pair	26½*d.* per pair.
Austria ...	106 kr. per 100 kgs.	106 kr. (gold) per 100 kgs.	4·8*d.* per lb.	3·6*d.* per lb.
Greece ...	14½ dr. per oke.	11 dr. (met.) per oke.	4*s.* 2*d.* per lb.	37½*d* per lb.
Turkey (including Asiatic).	11% *ad val.*...	12,900 pias. per 100 kgs.	11% *ad val.*	17·2*d.* per lb.
Africa—				
Egypt ...	8% *ad val.*...	8% *ad val.* ...	8% *ad val.*	8% *ad val.*
America—				
United States	Free	Free	Free ...	Free.
Argentina ...	10½ pesos per dozen.	25·6 pesos per dozen.	7*s.* per pair	15*s.* 6*d.* per pair.
Empire:				
Union of South Africa.	12% *ad val.*...	27% *ad val.*...	12% *ad val.*	27% *ad val.*
New Zealand ...	1*s.* 6*d.* per pair plus 15% *ad val.*	26% *ad val.*...	1*s.* 6*d.* per pair plus 15% *ad val.*	26% *ad val.*
Canada ...	20% *ad val.*...	15¾% *ad val.*...	20% *ad val.*	15¾% *ad val.*
India	5% *ad val.*...	15% *ad val.*...	5% *ad val.*	15% *ad val.*
Australia ...	30% *ad val.*...	35% *ad val.*...	30% *ad val.*	35% *ad val.*

Notes.—(1) Boots and shoes are exported to Empire destinations in greater quantities than to foreign countries.

(2) The 13 foreign countries specified took, in 1913 and 1922 respectively 87% and 79% of the exports of leather boots and shoes to foreign countries; and the 5 Empire markets took 88% and 80% of the exports to Empire destinations.

(2) *Hosiery (Stockings and Hose of Wool).*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
Sweden ...	2 kr. per kg.	2 kr. per kg....	1*s.* per lb.	1*s.* 1*d.* per lb.
Norway ...	60 öre per kg.	80 öre (gold) per kg.	3*s.* 6*d.* per lb.	5*s.* 3*d.* per lb.
Netherlands .	5% *ad val.* ...	5% *ad val.* ...	5% *ad val.*	5% *ad val.*
Denmark ...	1·30 kr. per kg.	1·30 kr. per kg.	7·9*d.* per lb.	5·5*d.* per lb.
France ...	3 frs. per kg.	14·4 frs. per kg.	1*s.* 1*d.* per lb.	1*s.* 6¾*d.* per lb.
America—				
U.S.A. ...	40 % *ad val.*	45 cts. per lb. plus 50 % *ad val.*	40% *ad val.*	23·8*d.* per lb. plus 50% *ad val.*
Empire:				
Australia ...	20% *ad val.*...	35% *ad val.* ...	20% *ad val.*	35% *ad val.*
Canada ...	25% *ad val.*...	22½% *ad val.*	25% *ad val.*	22½% *ad val.*
Union of South Africa.	12% *ad val.*...	12% *ad val.*...	12% *ad val.*	12% *ad val.*
New Zealand...	25% *ad val.*...	26% *ad val.*...	25% *ad val.*	26% *ad val.*

Notes.—(1) Woollen stockings and hose are exported to Empire destinations in greater quantities than to foreign destinations. The United States is easily the most important market for recent years.

(2) The six foreign markets absorbed, in 1913 and 1922 respectively, 77% and 93% of the exports to foreign destinations of stockings and hose of wool; and the four Dominions took about 95% of the exports to Empire destinations.

IX.—CHEMICALS.

(1) *Soda Crystals.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
Sweden ...	Free	Free	Free ...	Free.
Norway ...	Free	Free	Free ...	Free.
Netherlands...	Free	Free	Free ...	Free.
Italy... ...	50 cts. per 100 kgs.*	2·4 lire (gold) per 100 kgs.*	4*s.* 1*d.* per ton.*	21*s.* 6*d.* per ton.*
Asia—				
China ...	0·12 Hk. tls. per picul.	0·16 Hk. tls. per picul.	5*s.* 11*d.* per ton.	9*s.* 5*d.* per ton.
Japan ...	0·80 yen per 100 kin.	0·35 yen per 100 kin.	27*s.* 8*d.* per ton.	10*s.* 3*d.* per ton.
America—				
United States	⅛ ct. per lb. ...	¼ ct. per lb. ...	11*s.* 8*d.* per ton.	24*s.* 9*d.* per ton.
Brazil ...	30 reis per kg.	30 reis per kg.	50*s.* 11*d.* per ton.	50*s.* 11*d.* per ton.
Argentina ...	15 cts. per 100 kgs.*	24 cts. per 100 kgs.*	6*s.* 1*d.* per ton.*	8*s.* 9*d.* per ton.*
Empire:				
India	5% *ad val.* on a valuation of 3¾ rupees per cwt.	15% *ad val.* on a valuation of 8 rupees per cwt.	5*s.* per ton	35*s.* 6*d.* per ton.
Australia ...	Free	Froe	Free ...	Free.
Canada... ...	Free	⅓ ct. per lb. ...	Free ...	20*s.* per ton.

* Gross weight.

Notes.—(1) The 9 foreign markets specified above absorbed in 1913 and 1922 respectively, 80% and 84% of the exports to foreign destinations of sodium carbonate, including soda crystals, soda ash and bicarbonate; and the three Empire markets took 87% and 84% of the exports to Empire destinations in those years.

(2) The quantities shipped to foreign countries are more than twice as large as those shipped to the Empire.

(2) *Bleaching Powder.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Foreign:				
Europe—				
Russia ...	1·155 rbls. per poud.	23 rbls. per 100 kgs.	£7 12*s.* 0*d.* per ton.	£27 5*s.* 0*d.* per ton.
Sweden ...	Free	Free	Free ...	Free.
Norway ...	Free	Free	Free ...	Free.
Netherlands. .	Free	Free	Free ...	Free.
Asia—				
Persia ...	1 kr. per batman.	15 cts. per batman.	£6 10*s.* 0*d.* per ton.	£1 2*s.* 9*d.* per ton.
America—				
U.S.A. ...	1/10 ct. per lb.	3/10 ct. per lb.	9*s.* 4*d.* per ton.	£1 9*s* 8*d.* per ton.
Brazil ...	50 reis per kg.	100 reis per kg.	£4 5*s.* 0*d.* per ton.	£8 10*s.* 0*d.* per ton.
Empire:				
India	5% *ad val.* ...	15% *ad val.* on a valuation of 12½ rupees per cwt.	5% *ad val.*	£2 15*s.* 6*d.* per ton.

Notes.—(1) The above markets absorbed, in 1913 and 1922 respectively 80% and 75% of the total exports of bleaching powder.

(2) Exports are small, and go mainly to foreign countries, though India was the biggest market in 1922.

(3) *Sulphate of Ammonia.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924.	1914.	1924.
Europe—				
Germany ...	Free	Free	Free ...	Free.
Netherlands ...	Free	Free	Free ...	Free.
Belgium ...	Free	Free	Free ...	Free.
France... ...	Free	Free	Free ...	Free.
Spain	10 cts. per 100 kgs.*	10 cts. (gold) per 100 kgs.*	9¾*d.* per ton*	10¾*d.* per ton.*
Italy	Free	1 lira (gold) per 100 kgs.*	Free ...	9*s.* per ton.*
Asia—				
Dutch East Indies.	Free	Free	Free ...	Free.
Japan	Free	Free	Free ...	Free.
Africa—				
Egypt	8% *ad val.* ...	8% *ad val.* ...	8%. *ad val.*	8% *ad val.*
America— ...				
U.S.A.... ...	Free	¼ ct. per pound	Free ...	24*s.* 9*d.* per ton.

* Gross weight.

Notes.—(1) The quantities of sulphate of ammonia shipped to Empire destinations is small compared with the quantities shipped to foreign countries (less than a tenth).

(2) The above markets absorbed 86% of the total exports of sulphate ammonia in 1913, and 80% in 1922.

(4) *Sulphate of Copper.*

Country of Destination.	Tariff Duty.		English Equivalent.	
	1914.	1924	1914.	1924.
Europe—				
Russia ...	Free*	9 rbls. per 100 kgs.†	Free* ...	£10 13*s.* per ton.†
France ...	1½ fcs. per 100 kgs.†	4 fcs. per 100 kgs.†	12*s.* 2½*d.* per ton.†	9*s.* 10*d.* per ton.†
Portugal ...	Free‡	0·2 ct. per kg...	Free‡ ...	9*s.* 2*d.* per ton.
Spain ...	50 cts. per 100 kgs.†	10 pes. (gold) per 100 kgs.†	4*s.* 1*d.* per ton†	89*s.* 6*d.* per ton.†
Italy ...	2 lire per 100 kgs.†	2½ lire (gold) per 100 kgs.†	16*s.* 3*d.* per ton†	22*s.* 6*d.* per ton.†
Greece ...	Free	Free	Free ...	Free.
Bulgaria ...	Free	8 leva per 100 kgs.	Free ...	£2 3*s.* 6*d.* per ton.
Roumania ...	1½ lei per 100 kgs.	210 lei per 100 kgs.	12*s.* 2½*d.* per ton.	50*s.* 3*d.* per ton.

* If for combating diseases of the vine and fruit trees (otherwise, £7 17*s.* 8*d.* per ton).
† Gross weight.
‡ If imported as a preventive of mildew (otherwise, £1 2*s* 10*d.* per ton).

Notes.—(1) The above markets absorbed, in 1913 and 1922 respectively, 99% and 85% of the total exports of sulphate of copper.

(2) The quantities shipped to Empire destinations are insignificant.

CHAPTER III.

ASPECTS OF FOREIGN COMMERCIAL POLICY AFFECTING BRITISH EXPORT TRADE.

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THE TREATMENT OF BRITISH GOODS IN FOREIGN COUNTRIES.

A.—Customs Tariffs.

I.—The General Position.

Stated in the most general terms, the position of our trade in regard to foreign customs tariffs is that, with few exceptions, products and manufactures of the United Kingdom enjoy, on importation into foreign countries, most-favoured-nation tariff treatment, *i.e.*, they are accorded the lowest rates of customs duty applicable to similar goods the produce or manufacture of any other foreign State. Certain foreign countries (France, Portugal, Italy and the United States of America) have, like the United Kingdom, systems of colonial tariff preferences, whereby specially favourable fiscal treatment, in a larger or smaller measure, is granted to the products of their own colonies and possessions, and reciprocally those colonies and possessions accord preferences to the goods of the mother country. The most-favoured-nation régime enjoyed by the United Kingdom in these cases does not include the special preferential treatment so long as the country or colony concerned does not extend it to some other foreign state.

For the most part, most-favoured-nation tariff treatment is secured to the United Kingdom by existing commercial treaties or arrangements. In fact, with the exception of the treaty with France, which reserves the question of import duties for regulation by the internal legislation of the two countries, and that with Peru, which in its present shape makes no mention of the matter, there is not one of our treaties which does not contain in some form or other, or imply, an obligation to accord us most-favoured-nation treatment in relation to import duties.* Where there is no treaty, or no most-favoured-nation clause in our treaties, we do, nevertheless, in most such cases enjoy most-favoured-nation treatment in practice, either by virtue of legislation (France) or by reason of the fact that the countries concerned subject all foreign imports to uniform tariff treatment. The few countries which do not, in fact, grant us the most favourable tariff terms are referred to in section III of this memorandum. It may be observed that a "most-favoured-nation" provision with regard to tariff treatment only affords a safeguard against direct tariff differentiation, and not against indirect methods of discrimination by means of the subdivision and classification of tariff headings.

* A summary of the treaty position is given in the appendix.

Different Forms of Most-favoured-Nation Clause.—There are to be found, either in our own treaties or in those between foreign states, examples of four different grades of most-favoured-nation provisions :—

(1) That each Party to the instrument shall accord to the other any privilege granted to certain named third countries;

(2) That each Party shall accord to the other all privileges which they accord to third countries, with certain exceptions;

(3) The conditional form of the clause which requires concessions to be " purchased " when they have been given to a third country as a result of a bargain; and

(4) The unconditional form, which is the one we have, since the middle of last century, always endeavoured to embody in our own treaties and which has hitherto been recognised as the root of our commercial treaty policy. This entitles us to claim, unconditionally and without exception, all privileges granted to any other country in regard to the subject-matters specified.

In general, the most-favoured-nation provision regarding import duties applies to goods " the produce or manufacture " of the territories of the Parties to the treaty, the stipulations being extended in several of our treaties by the addition of the words " from whatever place arriving."

Tariff Treaties.—With several countries there are in existence treaties or conventions by which the rates of duty on certain specified classes of United Kingdom goods are fixed, *i.e.*, they are agreed upon as the maximum rates which may be levied on United Kingdom goods of the kinds concerned whilst the treaties remain in force. These countries are : Greece,* Spain, and Jugo-Slavia (under the pre-war treaty with Servia). For the goods specified, we are entitled to the rates of duty fixed by our treaties, or to any lower rates which the countries concerned may accord to similar goods from other foreign countries either by treaty or internal legislation. Moreover, in virtue of commercial arrangements with certain other foreign countries, or arrangements to which H.M. Government is a party, the tariffs of those countries are " conventionalised " as a whole, and no change can be made in them except with the consent of H.M. Government or (in two cases) under conditions which are exactly defined in the treaties. These countries are : China, Egypt, Morocco, Persia, Siam, and Turkey.

* The treaty with Greece has been denounced by the Greek Government and continues in force from month to month pending the conclusion of a new treaty now under negotiation.

II.—Classification of Treaty Exceptions from Unconditional Most-favoured-Nation Treatment, etc.

From time to time, in special circumstances, we have agreed to treaty provisions constituting modifications in the most-favoured-nation régime. These modifications may be classified into the following groups :—

(*a*) exceptions in regard to frontier traffic;
(*b*) exceptions on grounds of geographical contiguity;
(*c*) exceptions on grounds of historical associations;
(*d*) exceptions (mostly temporary) arising out of special conditions, such as the post-war settlement.

In addition, the question of " conditional " most-favoured-nation treatment requires consideration.

(*a*) In regard to *frontier traffic* the usual provision runs on somewhat the following lines :—

> " The stipulations laid down in Article (giving most-favoured-nation treatment) do not apply to privileges which have been accorded or which may subsequently be accorded by one of the Contracting Parties in respect of frontier traffic with neighbouring countries within frontier zones not exceeding 15 kilometres."

(*b*) As regards the exception to general most-favoured-nation treatment accorded in connection with *countries geographically associated*, there has been for many years a tendency amongst countries situated in the same geographical regions and connected by close economic conditions to enter into special tariff relationships arising out of their position. It has, therefore, been our practice in negotiating Commercial Treaties, whilst insisting on most-favoured-nation treatment as a general principle, to take such special circumstances into account and to agree that our most-favoured-nation rights will not be held to apply to special tariff concessions made by one country to certain others in its geographical vicinity. For instance, our treaties with certain Central American Republics provide that tariff arrangements made with other Central American States shall be regarded as falling outside the scope of our most-favoured-nation rights; and with regard to Scandinavia, our most-favoured-nation rights in Denmark do not apply to special tariff concessions accorded to Sweden.

(*c*) In certain cases a similar exception is made in regard to the *relations between countries based upon long historical associations*. The case of Denmark and Sweden referred to above is historical as well as geographical. A more striking instance is contained in our treaty with Portugal, which includes the following provision :—

> " It is understood that the provisions of this Treaty which secure in Portugal most-favoured-nation treatment to British goods and vessels shall not apply to the special favours

which Portugal accords or may hereafter accord to the goods or vessels of Spain or Brazil."

(*d*) The Peace Treaties laid down certain *special arrangements* regarding most-favoured-nation treatment. They gave to the Allied and Associated Powers full most-favoured-nation treatment in the matter of Customs duties for a definite period. At the same time it was recognised that the territorial changes effected by the Peace Treaties would cause a temporary disturbance of economic conditions, and that the new countries which had been created by the settlement were not of themselves economic units or likely to become economic units at once. Special arrangements were, therefore, permitted which overrode temporarily the general most-favoured-nation provisions of the treaties. For instance, it was recognised that Alsace-Lorraine and Germany were, in spite of the new political boundaries, not easily sundered, and provision was made in the Treaty of Versailles that products of Alsace-Lorraine origin up to an annual amount not exceeding the pre-war average should be admitted into Germany free of customs duties for a period of five years from the coming into force of the Treaty. Similarly, temporary provisions were inserted in the Treaties of St. Germain and Trianon to exclude from the general most-favoured-nation régime any mutual tariff concessions arranged among Austria, Czechoslovakia and Hungary; but in practice there is no differentiation against our trade by reason of these latter stipulations. The Treaty of Lausanne also provides, as an exception to the general most-favoured-nation provision of the Treaty, that Turkey can make special tariff arrangements with the territories detached from it by the Lausanne Settlement.

Again, our Treaty with Finland provides that :—

> " His Britannic Majesty undertakes not to claim the benefit of any customs preference or facility of whatever nature or kind which Finland has accorded or may accord to Esthonia, Latvia and Lithuania with a view to preserving the traditional trade with those countries, so long as such preference or facility is not extended to any other country " ;

and generally we have recognised that special facilities of this kind given by the Baltic States to one another or to the Soviet Union cannot be claimed by H.M. Government under the most-favoured-nation provisions of the Treaties. (Treaty with Latvia, Article 7.)

Conditional most-favoured-nation treatment.—The conditional form of the most-favoured-nation clause which appears in our treaty with Costa Rica provides that favours, privileges or immunities in matters of commerce and navigation granted by one of the Contracting Parties to the subjects or citizens of another State shall be extended to the subjects or citizens of the other Contracting Party " gratuitously, if the concession in favour of that other nation shall have been gratuitous; or in return for a compensation as nearly as possible of proportionate value and

effect, to be adjusted by mutual agreement, if the concession shall have been conditional." Where the clause is specifically drawn in this way there can be no question as to its interpretation. On the other hand, even when the unconditional form appears in treaties, it has not invariably been interpreted in the plain and ordinary sense of the language used. The one notable instance of this is the interpretation which has always been placed upon the most-favoured-nation clause by the United States Government, so far as its treaties with other countries contain it. In such cases, and although the form of words used would seem to admit of no qualification, the United States Government has consistently held that it is not obliged to extend to a country entitled to the operation of the clause concessions which it has made to other countries in return for concessions to itself—in other words which it has "purchased"—unless the treaty itself states in terms that the most-favoured-nation treatment provided is unconditional, or unless the claimant has been prepared to "purchase" the concession also. The United States Government has recently departed from its previous policy by concluding a treaty with Germany which provides in terms for *unconditional* most-favoured-nation treatment.†

Unilateral most-favoured nation treatment.—There is one other aspect of most-favoured-nation treatment which might be mentioned incidentally. In the vast majority of our treaties, the most-favoured-nation provisions are reciprocal, that is, they bind both parties equally in respect of goods the produce of the territories of the other. In a certain number of treaties, however, the undertaking is unilateral. This is the case in the treaties with China, Ethiopia, Morocco, Muscat and Siam. The Peace Treaties also made the same unilateral arrangement; but this has, or will shortly, come to an end with the termination of the periods prescribed in the treaties.

Differentiation in tariffs at different frontiers of the same country.—Normally each country has one tariff which applies uniformly at all frontiers, but in some cases distinct tariffs or customs régimes apply at the several frontiers of one country. Especially is this the case where a country has, besides an open seaboard, long and difficult land boundaries. China furnishes perhaps the best-known example. On the ground that the difficulties in the way of transporting goods to those frontiers caused a handicap to land-borne (as compared with sea-borne) trade which should be removed, a special régime was instituted whereby goods passing over the land frontiers are subject to reduced customs duties. The building of railways is gradually removing the difficulties for land-borne trade,* and the Chinese Customs Tariff Treaty signed at Washington in February, 1922, provides for the

* For example, a large volume of imports (mainly Japanese) enters China over her northern land frontier by means of the Manchurian railway and secures the benefit of reductions in import duties.

† *See also* page 455.

eventual abolition of these special customs arrangements, and the recognition of " the principle of uniformity in the rates of customs duties levied at all the land and maritime frontiers of China." This consummation has not, however, yet been achieved, and in the meantime trade over Chinese land frontiers is subject to special arrangements between China and the adjacent countries concerned. For example, the treaty of 1894 between China and Great Britain, relating to trade across the Burmo-Chinese frontier, provides that the duties levied by China upon goods imported into and exported from China across that frontier shall be at reduced rates as compared with the general tariff of the Chinese Maritime Customs. Similarly, the treaty provides that the import duties on Chinese produce and the export duties on British and Burmese produce levied by the Burmese authorities shall be entirely abolished (except in the case of salt imports and rice exports). In the case of trade across the Burmo-Siamese frontier a similar exemption from customs duties was provided for by an agreement, which has, however, now been terminated.

III.—Tariff Discrimination against our Trade in certain Countries.

The countries in which we do not, at the present time, enjoy in full measure tariff treatment as favourable as that accorded to other foreign States are the United States of America, Cuba, Haiti, and Salvador.

Cuba and the United States of America.—The reciprocal tariff concessions provided for by the Reciprocity Convention of December, 1902 are not extended by either the United States or Cuba to other foreign countries. Generally speaking, the Convention allows a reduction of 20 per cent. from the United States tariff rates, and reductions varying from 20 to 40 per cent. from the Cuban duties; and the Convention itself stipulates that the reductions of duty on either side are not to be extended to any other countries. We have no commercial treaty with Cuba, and, as stated above, the United States Government have consistently refused to regard the most-favoured-nation clause in the Anglo-American Treaty as applicable in respect of reductions from their tariff rates accorded to another country in consideration of concessions which that country may have granted to them.

Haiti.—Under the commercial convention of 1907 between France and Haiti, France, in exchange for the accord of her " Minimum " Tariff to certain Haitian products, obtained a reduction of 33⅓ per cent. of the Haitian Customs duties (and surtaxes) for a considerable number of goods of interest to French trade, with larger reductions for wines. For these goods, moreover, the Haitian Government agreed not to raise the then existing duties against France for the duration of the convention. The list of French goods enjoying the concession includes furniture,

various tissues and other textile manufactures, alimentary preserves, confectionery, beverages, chemical and pharmaceutical products, soap, and numerous miscellaneous goods. It is understood that Haiti extends these concessions also to the United States of America but not to other countries. The United Kingdom has no commercial treaty with Haiti and therefore no treaty grounds on which to claim the tariff favours accorded to France.

Salvador.—Under a Convention between France and Salvador, reduced rates of Customs duties are accorded to a considerable list of French goods, including wines, condiments, preserved foodstuffs, sweets, perfumery, and fancy goods. These reduced duties are also granted to similar goods coming from Germany, Belgium and Italy. We have had no Treaty with Salvador since 1909, and consequently are not in a position to claim most-favoured-nation treatment. In regard to one category of goods, however, where a very heavy increase of the Salvadorean Customs duties on perfumery (including perfumed soaps) led to protests from soap manufacturers of this country as to the impossibility of competing in the markets of Salvador, representations to the Salvadorean Government were followed by a reduction in the duties, though a small preference was left in favour of French soaps. Steps are being taken by H.M. Government to obtain full most-favoured-nation tariff treatment for United Kingdom goods in Salvador, by negotiating a treaty with the Republic.

IV.—The present advantageous position of the United Kingdom, in regard to certain Foreign Tariffs, as compared with some Competitors.

In certain cases the United Kingdom at present receives more favourable treatment in respect of customs duties in foreign markets than certain other countries.

Belgium.—Belgium has established special and increased rates of duty against a large number of imports from Germany and Czechoslovakia.

France.—The French " minimum " tariff in its entirety is applicable to goods of United Kingdom origin. On the other hand, various countries, including the United States, Poland, Spain and Czechoslovakia, do not get such favourable tariff treatment for *all* their goods: it depends on the terms of their commercial arrangements with France, whether their goods (according to kind) are subject (*a*) to the " minimum " tariff, (*b*) to the much higher rates of the " general " tariff, or (*c*) to " intermediate " rates. They receive either " minimum " or, at least, " intermediate " tariff treatment for the classes of goods in which their export trade has a special interest. To this it may be added that, since the war, German goods have been subject to the rates of the French " general " tariff, but negotiations have been entered into on the subject between the French and German Governments.

Italy.—Until recently, German goods imported into Italy did not enjoy the benefits of the " conventional " rates of duty (lower than the corresponding " general " tariff rates) which have been established for a large number of articles as the result of recent " tariff " treaties between Italy and various other countries; but the provisional German-Italian arrangement of January, 1925, now accords most-favoured-nation treatment to all German goods other than those specially excepted in the arrangement.

Japan.—German goods imported into Japan do not at present enjoy any " conventional " rates in force in Japan.

Spain.—Spain levies " depreciated currency " surtaxes (in addition to the ordinary customs duties) on all goods from Brazil, Bulgaria, Czechoslovakia, Finland, Greece, Hungary, Portugal, Roumania, S.H.S. Kingdom and Turkey. Though the similar surtax on German goods was abolished as the result of the Commercial Modus Vivendi between Spain and Germany concluded in July, 1924, it is still the case that, under the Modus Vivendi, German goods imported into Spain do not in all instances enjoy rates of customs duty as low as those applied to similar goods of United Kingdom origin.

United States of America.—There are certain paragraphs in the " Dutiable List " of the present United States Tariff which specify the customs duties to be applied to motor cars, motor cycles and parts, bicycles and parts, and paper board, wall board, pulp-board and cardboard, with the proviso in each case that if any country imposes on United States goods of these kinds duties *higher* than the United States tariff duties, such goods the produce of such countries shall, in the U.S.A., be subject to duties equal to those imposed by the country concerned on United States goods, but not exceeding in any such case 50 per cent. *ad valorem.* Similarly, the Tariff Act exempts bricks, certain calcium compounds, cement, coal and patent fuel, and gunpowder from import duty with the proviso that if any country imposes duties on United States goods of these kinds, an equal duty shall be imposed on such goods when imported into the United States from that country. It follows therefore, that, under these so-called " reciprocity " paragraphs of the United States tariff, the trade of the United Kingdom with the United States of America in the articles concerned on which the United Kingdom does not impose a duty enjoys certain tariff advantages in the United States as compared with goods from those countries which levy a customs duty on imports from the United States of America, or (as the case may be) levy higher duties on United States goods than those specified in the United States tariff. On the other hand, while a United Kingdom import duty of 33⅓ per cent. *ad valorem* on motor cars and motor cycles is in operation, such cars and cycles imported into the United States from this country are subject to a duty of 33⅓ per cent. instead of the ordinary tariff duty of 25 per cent. *ad valorem.*

B.—Import Restrictions in Various European Countries.

The following brief notes are designed to give a general view of the extent to which the importation of goods is or has recently been under restriction in various countries of Europe, with special reference to the effect of the restrictions on the trade of the United Kingdom.

Throughout these notes no account has been taken of import restrictions of a non-commercial character, *i.e.*, restrictions which are normally or exceptionally in force in most countries on sanitary grounds, on the grounds of public health and morals, etc., or as a result of State monopolies. Further, the restrictions resulting from the control of the liquor trade in certain countries have not been included.

Austria.

Austria still maintains a system of import restrictions. The list of goods subject to import licence requirement includes specified articles from the groups relating to fruits, foodstuffs and beverages; textile manufactures and made-up articles; china and earthenware; iron and other common metal wares; machinery, apparatus and vehicles; chemicals; and varnishes, colours, and perfumery.

There are " import contingent " arrangements with France and Belgium; and, under an agreement with Italy, it is provided that a few Italian products (lemons, chestnuts, almonds, olive oil, etc.) are to be admitted into Austria from Italy without any restriction.

The Anglo-Austrian Treaty of Commerce of May, 1924, secures to the United Kingdom most-favoured-nation treatment in regard to the issue of Austrian import licences. Since the introduction of the new Austrian tariff in January, 1925, licences are issued much more freely.

Bulgaria.

In January, 1924, the Bulgarian Government, with the object of preventing a further decline in the value of the currency, promulgated a measure forbidding the import of some 150 categories of goods regarded as " not of first necessity." The list included various food products and beverages, sugared products, soap, perfumery, certain glass and pottery, some paper goods, some leather and rubber wares, various textile manufactures, metal wares of various kinds, and some other miscellaneous articles. In one of the most important branches of trade (textiles), however, the particular goods which form the bulk of our exports to Bulgaria were not affected.

No information is available as to the extent to which licences are issued for the " prohibited " goods; but few complaints have reached the Board of Trade.

Czechoslovakia.

From the beginning of its existence as an independent State, Czechoslovakia adopted, in regard to import control, a policy of "protection" of the national industries. Foreign import trade was subjected to severe restrictions until the latter part of the year 1923, when it was found necessary to adopt a more liberal policy. From that date various Orders have been issued exempting many classes of goods from import licence requirement, and allowing the importation of many other articles to be effected on the basis of a special "declaration" by the importer, which is a mere formality without restrictive effect on trade. At present, therefore, the importation of comparatively few goods is controlled by the import licence system.

In so far as goods are still subject to licence requirement, the trade of the United Kingdom with Czechoslovakia appears to be adequately safeguarded by the list of "import contingents" agreed to at the same time as the United Kingdom-Czechoslovak Treaty of Commerce (in effect from the 1st September, 1923) which specifies, in respect of our principal exports to the Republic, the quantities which shall be admitted into Czechoslovakia annually.

France.

There is now in force only a very short list of import prohibitions. The articles affected include pepper, cut flowers, spirits and liqueurs, mineral oils, watches, and firearms. The French Government have no longer the power to impose new import prohibitions by administrative measure.

The control of the import of the above-mentioned goods has not given rise to serious complaints from United Kingdom exporters, except in the case of whisky exporters. Whisky is admitted under licence on the application of proprietors of French hotels and restaurants which cater for foreign visitors, and it appears that the quantity so admissible under this system attains the actual pre-war level of imports. On the other hand, the system interferes with the normal trade through French agents of British whisky distillers, since such agents cannot obtain licences, and it is on this score that complaints have been put forward.

Germany.

The difficulties placed in the way of United Kingdom trade by the system of import prohibitions maintained by the German Government have formed the subject of fairly numerous representations to the Board of Trade. Special mention may be made of *woollen cloth* (the import of which is "rationed," *i.e.*, restricted to 20 per cent. of the quantity imported in 1913) and *motor cycles*, as complaints from British traders regarding these two articles have been persistent. There is apparently a large demand in Germany for high grade woollens and also motor

cycles of United Kingdom manufacture, but the trade is hampered by the " rationing " of woollen cloth, and the virtual exclusion of motor cycles and other motor vehicles.

The German system of import restrictions has been maintained in force since the war. At the beginning of 1924 the German Government exempted a large number of articles (including many manufactured goods) from import licence requirement, and the import prohibitions were for a time administered in a rather liberal spirit; but with the publication in March, 1924, of the German foreign trade figures for January, and subsequently of those for February of that year, shewing in each case a large excess of imports over exports, the policy pursued underwent a marked change. While it is understood that no instructions were given absolutely prohibiting the issue of import licences in particular cases, applications for licences were severely scrutinised, and only granted if the import of the goods concerned was considered absolutely necessary. Nevertheless, the " Import Free " list was slightly extended in June and December, 1924, and May, 1925, by the addition of certain chemicals, some iron and steel manufactures, cycles, and some other goods.

The situation was discussed in connection with the negotiations with Germany for the Anglo-German commercial treaty, signed on 2nd December, 1924, which foreshadows the total withdrawal of the import restrictions at latest six months after ratification of the Treaty, except in special cases.

Under the London Reparations Agreement, imports into the occupied territory became again subject to the general regulations in force in the rest of Germany. This involved the enforcement of a stricter import régime in the occupied territory, since, under the Franco-Belgian economic administration, imports into that territory were licensed practically without restriction.

Italy.

Although Italy still maintains a number of articles on the " prohibited import " list, this measure is of no practical importance to the trade of the United Kingdom since no restrictions are enforced in respect of goods produced in the United Kingdom or goods originating in any part of the British Empire and imported into Italy via the United Kindom. Certain other countries enjoy a like facility. There are, it is true, a few articles the import of which into Italy is reserved to the State, but, so far as is known, this measure has no restrictive effect on our normal trade with Italy.

Hungary.

There used to be an import restriction system in Hungary, but in 1924 the import restrictions were partially abolished, concurrently with the imposition of increased duties; and on the enforcement of the new Hungarian customs tariff on the 1st

January, 1925, the duties prescribed by which are considerably higher than those formerly in force, all the remaining import restrictions were abolished.

Poland.

Poland has at present only a very short list of import-prohibited goods, comprising sweets, jams, fruits preserved in spirits, chocolate, fruit juices with alcohol, spirits, wines, and liqueurs, fine cheese, preserved lobsters and the like, artificial sweetening materials, cosmetics and perfumery.

Roumania.

There is a short list of goods which are subject to an *absolute* prohibition of import, no import licences whatever being issued for such goods. They are: Oriental and other woollen carpets; Indian shawls; wines and liqueurs; spirits from fruits, roots, or plants, from cereals, molasses, etc.; cider and other fermented drinks; perfumery; articles made of marble and other fine stones; made-up goods of pure silk; precious stones; " luxury " clothing (trimmed with fur, etc.); ornamental trees and plants; fans of the more expensive kinds; beads and spangles; musical boxes; keyboard musical instruments; footwear of fine leather; tulles made of vegetable materials; clocks; and a few other unimportant goods.

These prohibitions do not affect the bulk of our export trade to Roumania, which consists of cotton manufactures and yarns, shirtings, calicoes, iron bars, sheet iron, agricultural machinery and coal.

Soviet Union.

The foreign trade of the Soviet Union is a State monopoly which is entrusted to the People's Commissariat for Foreign Trade, and private firms can only participate in foreign trade operations on compliance with prescribed formalities. Foreign trade is regulated (1) by " contingents " of import and export, and (2) by the prohibition, except under licence, of foreign trade operations.

The quantities (" contingents ") of the principal goods which may be imported are fixed quarterly, and divided amongst State institutions, co-operative organisations, mixed companies, and other bodies having the right to transact foreign trade operations. At the same time, the authorities fix the countries from which the imported goods are to be bought. Purchases abroad may only take place by virtue of special permits (in the case of purchases by the State trading office) or of special licence (in other cases), and licences are only issued by the Commissariat for foreign trade after very careful scrutiny. (The trade representatives of

the Soviet Union abroad are authorised to issue licences independently for the import of goods within the limit of the " contingents " allotted to them, but in actual practice no use is made of this privilege.)

It is understood that small parcels of goods imported for personal use are admitted without licence.

Switzerland.

Swiss import restrictions have been imposed in order to prevent the country being flooded with goods from " depreciated exchange " countries. A Decree of the Swiss Federal Assembly, dated 18th February, 1921, authorised the Federal Council temporarily and provisionally to restrict the importation of certain goods, or to subject their importation to import licence. This provision was to remain in force until the end of 1921, but its operation was later prolonged to the end of March, 1926. Numerous classes of goods have been placed on the import-prohibited list, by a series of Decrees issued since February, 1921; but in almost all cases general licences have been issued permitting the importation of these " prohibited " goods over the French and Italian frontiers, provided that the goods come from the " free commerce " of France or Italy, or that, if imported from some other country " in transit " through France or Italy, such route is the normal route for import into Switzerland. Many of these goods were removed from the import-prohibited list in December, 1924. As regards the few articles not covered by the general licences above referred to, the absence of complaints from United Kingdom traders indicates that licences are freely issued, if and when required, for goods of United Kingdom origin; and, on the whole, it may safely be asserted that, so far as the trade of this country is concerned, the Swiss import restrictions are practically inoperative.

C.—Internal Duties, etc.

There remains to be considered the treatment to which goods are subjected after importation, *e.g.* :—

(*a*) internal duties;

(*b*) transit of goods to a third country.

(*a*) The question of the *internal duties* to which British goods are liable in foreign countries after importation has to a certain extent been dealt with in the past in Commercial Treaties, and the following paragraph states the cases where the matter is specifically included in our Treaties. The question assumes special importance, and at the same time may present special difficulties, in Eastern countries, as notably in the case of China. In this matter, national treatment is obviously more advantageous in normal circumstances than most-favoured-nation treatment, and it is usually a necessity where there is a tariff schedule.

An endeavour is invariably made to include an article on the subject in new commercial treaties. The model article now adopted reads as follows :—

> "No internal duties shall be levied within the territories of either of the contracting parties for the benefit of the State, local authorities or corporations on goods the produce or manufacture of the territories of the other party which are other or greater than the duties levied in similar circumstances on the like goods of national origin or of any other foreign origin."

National and most-favoured-nation treatment in this respect is prescribed in our recent treaty with Austria. National treatment is prescribed in our treaties with Finland, France, Japan, Latvia, Portugal, S.H.S. Kingdom, Spain and Turkey, though in the case of S.H.S. a special exception is made for the levy of a tax called "Trosharina" at rates specified in the treaty on goods of a kind not produced in the S.H.S. State. Most-favoured-nation treatment in the matter of "local dues" is provided by our treaties with Mexico and Portugal, and as regards "local taxation" by our treaty with Abyssinia. Our treaty with Holland provides for similar treatment as regards duties of any kind levied in "the ports, harbours, roads, cities, towns or places whatsoever in either Kingdom." Our treaty with Persia provides that, with the exception of possible warehouse dues, no charges shall be levied in that country on imported goods save the import duties proper; in the event of the construction of carriage roads under special concessions, road taxes may be levied at the same rates on British goods as are charged on goods of other origin.

(*b*) With regard to *goods in transit*, freedom from transit duties is reciprocally guaranteed for goods passing in transit through the territories of the contracting parties by our treaties with—

Austria,
Esthonia,
Finland,
France,
Greece,
Honduras,
Italy,
Japan,
Latvia,
Lithuania,
Persia,
Poland,
Portugal,
S.H.S. State,
Spain,
United States (to and from Canada).

The Freedom of Transit Convention.

A General Conference of the League of Nations on Communications and Transit, held at Barcelona in 1921, adopted a convention on the subject of Freedom of Transit, which has now been ratified by over twenty States, including the British Empire (except Australia, Canada and South Africa), France, Germany, Italy, Japan, Holland, Denmark, Norway, Czechoslovakia, Sweden and Switzerland.

The main provisions of the Convention are :—

(1) Contracting States must facilitate free transit across their territory by rail or waterway and across their territorial waters.

(2) No special dues are to be levied on transit traffic except such as are intended solely to defray expenses of supervision and administration entailed by the transit traffic.

(3) Tariffs on transit traffic must be reasonable as regards their rates and the method of their application, and must be fixed so as to facilitate international traffic as much as possible.

(4) No nationality distinctions must be made with regard to charges, facilities or restrictions.

D.—Note on the Convention for the Simplification of Customs Formalities.

This Convention, which constitutes a step towards the attainment of the principles of the equitable treatment of commerce laid down in Article 23 (*e*) of the Covenant of the League of Nations, was drawn up at an International Conference at Geneva during October and November, 1923. It came into force on November 27th, 1924.

The chief aims of the Convention are :—

(1) Publicity for Customs regulations and tariff changes with the least possible delay.

(2) The reduction to a minimum of all formalities, prohibitions and restrictions, as, for example, in the case of import and export licences and certificates of origin.

(3) The expeditious passage of goods and passengers through Customs stations and the grant of special facilities to commercial travellers and their samples.

(4) Equality of treatment for goods of all nations in the matter of formalities as apart from questions of tariff.

(5) The redress of abuse by administrative, judicial or arbitral procedure.

The Convention has been signed by nearly 40 States, including :—

Australia, Austria, Belgium, Brazil, British Empire,* Bulgaria, Chile, China, Czechoslovakia, Denmark, Finland, France, Germany, Greece, Hungary, India, Italy, Japan, Netherlands, New Zealand, Norway, Poland, Portugal, Roumania, S.H.S. Kingdom, Spain, Sweden, Switzerland, South Africa.

* *Note.*—The term "British Empire" in this case comprises Great Britain and Northern Ireland, the Colonies and Dependencies, but not the Dominions which are separate Members of the League.

It has been ratified by:—

Belgium, the British Empire,* Australia, New Zealand, South Africa, Austria, Denmark, Italy, India and Egypt, the Netherlands (including Netherlands East Indies, Curacao and Surinam) and Siam and adhered to by Persia.

APPENDIX.

SUMMARY OF TREATY PROVISIONS REGARDING CUSTOMS DUTIES.

The following is a brief statement of the treaty provisions regarding the duties on imports from the United Kingdom into the countries specified:—

Name of country.	*Nature of treaty provision as to duties on United Kingdom imports.*
	(EUROPE.)
France	Regulated by internal legislation. (In practice most-favoured-nation treatment is accorded by the French Law of the 27th February, 1882.)
Spain	(1) Most-favoured-nation treatment (from whatever place arriving) in regard to certain scheduled articles; (2) a tariff schedule for other specified articles; and (3) an undertaking on the part of the Spanish Government that all other articles produced or manufactured in His Britannic Majesty's territories, from whatever place arriving, shall be subject on importation into Spain to duties no higher than those prescribed in the second column of the Spanish Customs tariff in force at any time, provided that, if at any time any benefit or advantage is conceded to any foreign country in respect of any specified article which is of interest to British trade, Spain will be prepared to extend such benefit or advantage to similar British articles on receiving an application for such extension from His Britannic Majesty's Representative at Madrid. This, in practice, amounts to general most-favoured-nation treatment, the list of articles in regard to which most-favoured-nation treatment is guaranteed comprising nearly the whole of the Spanish tariff including all articles in which British trade is likely to have any interest.
Portugal...	Most-favoured-nation treatment (from whatever place arriving)—not applicable to concessions to Spain and Brazil.

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* *Note.*—The term "British Empire" in this case comprises Great Britain and Northern Ireland, the Colonies and Dependencies, but not the Dominions which are separate Members of the League.

Name of country.	*Nature of treaty provision as to duties on United Kingdom imports.*
Italy	Most-favoured-nation treatment (from whatever place arriving).
Switzerland	Most-favoured-nation treatment.
Belgium	Most-favoured-nation treatment.
Netherlands	Most-favoured-nation treatment.
Denmark...	Most-favoured-nation treatment—not applicable to concessions to Sweden.
Norway	Most-favoured-nation treatment.
Sweden	Most-favoured-nation treatment.
Germany...	Most-favoured-nation treatment is at present accorded by Decree and will be confirmed on ratification of the new commercial treaty.
Austria	Most-favoured-nation treatment (from whatever place arriving).
Hungary...	Most-favoured-nation treatment (from whatever place arriving) for five years from the coming into force of the Peace Treaty (26th July, 1921)—not applicable to concessions to Austria and Czechoslovakia.
Czechoslovakia	Most-favoured-nation treatment (from whatever place arriving)—not applicable to frontier traffic or to temporary concessions to Austria or Hungary in pursuance of the Economic Clauses of the Peace Treaties.*
Poland	Most-favoured-nation treatment—not applicable (1) to concessions in respect of frontier traffic; (2) to special favours resulting from a Customs union; or (3) in connection with the provisional Customs régime established between Poland and German Upper Silesia.
Lithuania	Most-favoured-nation treatment.
Latvia	Most-favoured-nation treatment (from whatever place arriving)—not applicable to concessions to Russia, Finland, Esthonia and Lithuania.
Esthonia...	Most-favoured-nation treatment.
Finland	Most-favoured-nation treatment (from whatever place arriving)—not applicable to concessions to Esthonia, Latvia and Lithuania.
Soviet Union	Most-favoured-nation treatment (Trade Agreement, March, 1921).
Roumania	Most-favoured-nation treatment.
S.H.S. State	Most-favoured-nation treatment (with a tariff schedule) (from whatever place arriving)—not applicable to frontier traffic or to concessions arising out of a Customs union.
Greece	Most-favoured-nation treatment (from whatever place arriving). [*See* footnote on page 588.]
Bulgaria	Most-favoured-nation treatment (from whatever place arriving) for five years from the date of the coming into force of the Treaty of Peace (9th August, 1920).

* The reductions of duty made by the Austro-Czechoslovak Treaty are in practice accorded to British goods. Czechoslovakia has not made any concessions to Hungary.

Name of country.	*Nature of treaty provision as to duties on United Kingdom imports.*
Turkey	Most-favoured-nation treatment (not applicable to concessions to territories detached from Turkey under the Peace Treaty, or concessions as regards frontier trade to a limitrophe State).
	(AMERICA.)
U.S.A.	Most-favoured-nation treatment.
Argentine	Most-favoured-nation treatment.
Bolivia	Most-favoured-nation treatment (not applicable to concessions to conterminous States).
Colombia	Most-favoured-nation treatment (from whatever place arriving).
Costa Rica	Most-favoured-nation treatment (conditional).
Honduras	Most-favoured-nation treatment (not applicable to concessions to Central American Republics).
Mexico	Most-favoured-nation treatment.
Nicaragua	Most-favoured-nation treatment (from whatever place arriving)—not applicable to concessions to Central American Republics.
Paraguay	Most-favoured-nation treatment (not applicable to concessions to the Brazilian Province of Matto Grosso).
Peru	No provision in Treaty.
Venezuela	Most-favoured-nation treatment.
	(ASIA.)
Japan	Most-favoured-nation treatment (from whatever place arriving).
China	Most-favoured-nation treatment.
Siam	Most-favoured-nation treatment.
Persia	Most-favoured-nation treatment (with a tariff schedule).
Muscat	Most-favoured-nation treatment.
	(AFRICA.)
Egypt	Most-favoured-nation treatment.
Morocco	Most-favoured-nation treatment (from whatever place arriving).
Ethiopia...	Most-favoured-nation treatment.
Liberia	Most-favoured-nation treatment (conditional).
Central African territories within Conventional basin of the Congo.	Most-favoured-nation treatment.
French West African Colonies within Conventional basin of the Niger.	Same treatment as is accorded to French goods.

Note.—There are at the present time no commercial treaties or arrangements in force with—

Brazil,	Guatemala,
Chile,	Haiti,
Cuba,	Panama,
Dominican Republic,	Salvador,
Ecudaor,	Uruguay.

THE TREATMENT OF BRITISH SHIPPING IN FOREIGN COUNTRIES.

Treaty Provisions.

It is usual for commercial treaties to contain clauses of a general nature giving general most-favoured-nation treatment in regard to matters of navigation. In the most recent treaties the general provision assumes this form :—

> "The Contracting Parties agree that, in all matters relating to commerce, navigation and industry, any privilege, favour, or immunity which either Contracting Party has actually granted, or may hereafter grant, to the ships and subjects or citizens of any other foreign State, shall be extended simultaneously and unconditionally without request and without compensation to the ships and subjects of the other, it being their intention that the commerce, navigation and industry of each Contracting Party shall be placed in all respects on the footing of the most-favoured nation."

A summary of the treaty position is given in Annex I, and it will be seen that Great Britain is entitled (under general provisions on the lines of the clause quoted above) to most-favoured-nation treatment in respect of navigation with a large number of countries. The exact ground covered by the terms of such a general clause is, however, naturally not free from doubt, and it is usual in Treaties of Commerce and Navigation to insert clauses dealing specifically with the following particular aspects of navigation :—

(1) Dues and charges.
(2) Stationing, loading and unloading.
(3) Flag discrimination, especially the imposition of higher Customs or other duties on goods brought in ships of one country as compared with those charged on similar goods brought in ships of either the State imposing the duties or of other States.

In respect of the first matter we enjoy national treatment under most of the existing treaties, but it is usual now to secure that British vessels shall receive both national and most-favoured-nation treatment as in the following clause :—

> "In regard to duties of tonnage, harbour, pilotage, light-house, quarantine, or other analogous duties or charges of whatever denomination, levied in the name or for the profit of the Government, public functionaries, private individuals, corporations, or establishments of any kind, the vessels of either Contracting Party shall enjoy in the ports of the territories of the other treatment at least as favourable as that accorded to national vessels or the vessels of any other foreign country."

The position is generally similar in the case of stationing and loading, the modern form of the Treaty Article being as follows :—

> " In all that regards the stationing, loading, and unloading of vessels in the ports, docks, roadsteads, and harbours of the territories of the Contracting Parties, no privilege or facility shall be granted by either Party to vessels of any other foreign country, or to national vessels, which is not equally granted to vessels of the other Party."

In the case of protection against flag discrimination, the position is practically the same, national treatment being the general rule, and most-favoured-nation treatment being also granted in the case of most post-war treaties. The modern form of the Article is :—

> " Each of the Contracting Parties shall permit the importation or exportation of all merchandise which may be legally imported or exported, and also the carriage of passengers from or to their respective territories upon the vessels of the other, and such vessels, their cargoes and passengers shall enjoy the same privileges as and shall not be subjected to any other or higher duties or charges than national vessels and their cargoes and passengers, or the vessels of any other foreign country and their cargoes and passengers."

Difficulties of British Shipping.

Some examples* may now be given of difficulties with which British shipping is met or threatened in various parts of the world.† These difficulties are all the more serious in that they occur at a time when our shipping is faced with greatly intensified competition.

(a) *Portugal.*—With the object of assisting a national mercantile marine, a law was passed in August, 1920, quadrupling the tonnage dues on foreign vessels; and an enactment of 1922 subjected foreign vessels to further discrimination in dues. By this law, foreign vessels were obliged to pay dues in gold at par rate of exchange while national vessels continued to pay in paper. As the rate of exchange was 10 or 11 times the par value, this meant that whereas foreign ships between 1920 and 1922 paid in dues four times as much as national ships; after 1922 they paid about 40 to 45 times as much as national ships. This resulted in certain lines cancelling Portuguese ports of call from their sailing lists and other lines raising their rates to cover these extra charges; and as a result, a 25 per cent. reduction in dues has been conceded, but the discrimination remains. Portuguese vessels also enjoy the benefits of special rates for various harbour services

* *See also* p. 400.

† *See also* Annex II relating to subsidies for shipping and shipbuilding in certain countries.

which are much lower than the charges to foreign shipping. A 10 per cent. rebate of customs duties is given on imports, and 10 per cent. or 20 per cent. on exports to national or foreign ports respectively, if carried in Portuguese bottoms.

(b) *Spain.*—The Spanish Tonnage Law of 1920 doubled the tonnage tax upon vessels calling at Spanish ports which have not sailed from a Spanish port of origin. British ships are particularly hit by this law, as in most cases they do not commence their voyages from Spanish ports but only call *en route* to other ports.

(c) *France.*—A French law of the 18th March, 1923, allowed the duty-free admission into France and Algeria of numerous classes of Moroccan produce if shipped in vessels flying the French and Moroccan flags. Representations were made by His Majesty's Government against this discrimination imposed to the detriment of British ships, and the French Government issued instructions to the French and Algerian Customs Authorities to permit Moroccan goods carried under the British flag to enter France and Algeria free in all cases where such goods would be duty-free if imported under the French flag.

(d) *United States.*—While it is only possible in the space available to make a brief reference to the shipping legislation of the United States, mention may be made of certain legislative enactments or proposals which aroused keen interest in this country. (*See* also below as to the United States Immigration Acts.)

" *Jones Act,*" *etc.*—The United States Merchant Marine Act of 1920 (" Jones Act ") provided :—

(i) for preferential railroad rates for goods carried in American vessels, at the discretion of the Inter-State Commerce Commission, whenever the U.S. Shipping Board certified that adequate shipping facilities were afforded by American vessels.

(ii) that deferred rebates should not be allowed on any shipment between the United States ports and foreign ports.

These provisions, though adopted, have not been put in operation.

The Act also provided that American Government ships might be run in any trade and that remunerative rates need only be charged when the Government ships were in competition with privately owned American ships.

The Subsidy Bill of 1922, which was supported by the United States Government, provided not only for subsidising shipping, but also :

(i) for preferential railroad rates for goods carried in American vessels when the United States Shipping Board certified that adequate shipping facilities were afforded by American vessels.

(ii) for deduction from income tax on American shippers equal to 5 per cent. of the freight paid on goods carried in American ships.

(iii)) for the reservation for American ships of 50 per cent. of the immigrants to America.

This Bill failed to pass Congress.

Reservation of Coasting Trade.

The coasting trade of Great Britain is open to the flags of all nations, irrespective of their treatment of our shipping in this respect. In general, other maritime countries have by legislation reserved the right to confine their coasting trade to ships flying their own flag, and most maritime countries have in fact exercised that right. Recent examples in which coasting trades previously open have been closed to British and other shipping are Chile and Peru. Chile in 1922 closed its coasting trade first to the vessels of all countries outside South America, and later to all save national vessels. The immediate result was the laying up of certain British ships which had been regularly employed in this trade. As there was only one Chilian line in existence, it secured a monopoly of the trade.

Each country has its own definition of coasting trade in its navigation laws, and these are not based on any uniform principles. In contradistinction to the view that coasting trade should be limited to voyages between ports in the same territory, the Governments of the United States and of Portugal, for example, hold that it should also cover voyages to colonies or oversea dominions. A Portuguese enactment of 1922 lays down that maritime traffic between Portugal, the adjacent islands and the Portuguese Colonies is to be reserved to national vessels, as also the maritime traffic between the ports of the colonies or between one and the other, provided such traffic is regularly served by national vessels. Complete information is not available of the extent to which this reservation is actually in force, but it is understood that it has already been applied to the traffic between Portugal and Angola and the coasting trade of that colony. The United States Government reserve voyages between U.S.A. and Alaska and U.S.A. and Hawaii, and the United States Merchant Marine Act of 1920 provided for the closing of the trade, as coasting trade, between the United States and the Virgin Islands and Philippines, when adequate American shipping services had been established. Any serious extension of this principle would do considerable harm to British shipping and to international commerce.

In the case of France the Law of 1793, while reserving the coasting trade of France itself to French vessels, does not apply in this respect to French Colonies, and there would appear to be

nothing to prevent British vessels trading between France and French Overseas Colonies. It may be mentioned, however, that trade between France and Algeria was, by a Law of 1889, included as coasting trade and so reserved to French vessels. This extension of the scope of coasting trade does not apply to voyages between France and Tunis or between France and Morocco.

Regulation of Emigration Business.

The British shipping lines have suffered owing to the restrictions on the numbers of immigrants allowed into the U.S.A. They are also subject to very onerous conditions in carrying out their emigrant business in certain European countries, and attempts are sometimes made to favour national shipping against foreign shipping (largely British) in the emigrant traffic from a country. In some cases, exacting and detailed requirements are laid down beyond those necessary in the interests of the emigrant, and in others the licence system, set up for the purpose of securing that these requirements are complied with, is used not so much in the interests of the emigrant as in the interests of national ships, licences being refused to foreign vessels although they comply with the requirements. In some countries, the emigrant traffic is regarded as a source of revenue, and various taxes are imposed on the shipping lines. The following particulars exemplify the foregoing statements :—

(a) *United States Immigration Acts.*—Prior to the war, the emigration traffic was the backbone of the North Atlantic trade. In 1921, the U.S. Government, by the Immigration Act of that year, restricted the number of emigrants who might enter the United States, and established a quota system under which the number of emigrants for any country was fixed at 3 per cent. of the number who had emigrated from that country and were in residence in the United States in 1910. Under the Immigration Act, 1924, these quotas were again reduced, being fixed at 2 per cent. of the numbers resident in the United States in 1890. The total number of emigrants who may be allowed into the United States from Europe during the quota year 1st July, 1924, to 30th June, 1925, will not exceed 150,000, which is a very considerable reduction on the numbers admitted prior to the introduction of these restrictive measures by the United States Government. In the case of Italy, 290,000 third class passengers were carried to America in 1913, but for this quota year the number will be only about 4,000. This policy affects British shipping not only directly, but also indirectly, as will be seen from the measures adopted in Italy—see next paragraph.

(b) *Italy.*—In 1920, the authorities waived sundry Government requirements for emigration licences in the case of national vessels.

In view of the restrictions imposed by the United States on the numbers of Italians who would be admitted as emigrants, the Italian Government, in order to protect Italian shipping and secure the bulk of the restricted traffic to Italian ships, closed the U.S. emigrant trade to all foreign ships in 1921 for a period of 6 months. In 1922, foreign lines were allowed 15 per cent. of the emigrant trade to the United States of America, and Italian lines 85 per cent. In 1923 the proportions were 12 per cent. and 88 per cent., in 1924 10½ per cent. and 89½ per cent., but at the beginning of 1925 the Italian Government closed the agencies and sub-agencies of the British lines on the ground that they had not maintained a regular service, and they have thus made it almost impossible for the British lines to secure any emigrant passengers.

As regards emigration from Italy to Australia, Italian vessels have, since the war, run in this trade and the Italian authorities have made it extremely difficult for British lines to operate. They have now limited to 50 the number of third class passengers who may embark at an Italian port for Australia on a British ship.

(c) *Germany* refused in 1921 to allow emigrants to travel by British lines unless they provided direct services from German ports. The German authorities afterwards agreed to issue the necessary licences and allow the indirect services; but they have, up to the present, not sanctioned the appointment by the British lines of agents in Germany at certain places in the interior where the lines desire to have them. The German Government have also refused to grant British steamship companies licences to carry emigrants to Canada, except in the case of one line, although no restriction appears to have been made in the number of licences issued to the German lines. Article 6 of the Protocol to the Anglo-German Treaty of 1924 (not yet ratified) provides that British vessels and shipping companies shall receive in Germany national treatment in respect of the carriage of emigrants and of the establishment of emigration agencies.

(d) *Portugal.*—An order was issued in 1922 providing that the embarkation on a trans-Atlantic steamer of Portuguese emigrants en route from Portugal to U.S.A. must be effected within 48 hours of leaving Portugal. This acts especially to the detriment of British lines who have no direct services and who find the condition almost impossible of fulfiment.

(e) *Russia.*—The Russian Government have granted to the Russian Volunteer Fleet a monopoly of the Russian emigrant traffic. The British lines, in endeavouring to negotiate with a view to securing a share of this trade, have experienced great difficulties, and one British line has had to withdraw from the trade.

(f) *Poland.*—With a view to securing that the great majority of the emigrants from Poland shall be carried direct from Danzig,

the Polish Government have charged exorbitant fees for licences to those lines who wish to carry emigrants through ports other than Danzig.

Imperial and International Policy.

It will be understood that, whenever any case is reported to His Majesty's Government in which it appears that British shipping is exposed to adverse discrimination or to other unfair treatment in a foreign country, every reasonable effort is made to secure, by an appeal to Treaty rights or otherwise, that any inequitable treatment is discontinued. Apart from such particular efforts and in view of the widespread difficulties which British shipping has to face*, the question of the general policy which should be adopted in these respects has occupied the attention of His Majesty's

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* The general position has, in some respects, become similar to that which existed at the time of the old Navigation Laws in the middle of last century. It was at that time necessary to have powers to protect British shipping against discrimination on the part of foreign Governments in favour of their own national tonnage. These powers were incorporated in the Customs Consolidation Act of 1853 (16 & 17 Vic., Ch. 107), Sections 324 and 325 of which provided as follows:—

CCCXXIV. If it shall be made to appear to Her Majesty that British Vessels are subject in any Foreign Country to any Prohibitions or Restrictions as to the Voyages in which they may engage, or as to the Articles which they may import into or export from such Country, it shall be lawful for Her Majesty (if She think fit), by Order in Council, to impose such Prohibitions or Restrictions upon the Ships of such Foreign Country, either as to the Voyages in which they may engage or as to the Articles which they may import into or export from any Part of the United Kingdom or of any British Possession in any Part of the World, as Her Majesty may think fit, so as to place the Ships of such Country on as nearly as possible the same Footing in British Ports as that on which British Ships are placed in the Ports of such Country.

CCCXXV. If it shall be made to appear to Her Majesty that British Ships are either directly or indirectly subject in any Foreign Country to any Duties or Charges of any Sort or Kind whatsoever from which the National Vessels of such Country are exempt, or that any Duties are imposed upon Articles imported or exported in British Ships which are not equally imposed upon the like Articles imported or exported in National Vessels, or that any Preference whatsoever is shown either directly or indirectly to National Vessels over British Vessels, or to Articles imported or exported in National Vessels over the like Articles imported or exported in British Vessels, or that British Trade and Navigation is not placed by such Country upon as advantageous a Footing as the Trade and Navigation of the most favoured Nation, then and in any such Case it shall be lawful for Her Majesty (if She think fit), by Order in Council, to impose such Duty or Duties of Tonnage upon the Ships of such Nation entering into or departing from the Ports of the United Kingdom, or of any British Possession in any Part of the World, or such Duty or Duties on all Goods or on any specified Classes of Goods, imported or exported in the Ships of such Nation, as may appear to Her Majesty justly to countervail the Disadvantages to which British Trade or Navigation is so subjected as aforesaid.

These Sections have never been repealed and are still in force.

Government, who brought the subject before the representatives of the Overseas Dominions at the Imperial Conference in 1923, when the following resolution against Flag Discrimination was passed unanimously :—

Resolution of the Imperial Economic Conference.

" *Economic Defence.*—In view of the vital importance to the British Empire of safeguarding its overseas carrying trade against all forms of discrimination by foreign countries whether open or disguised the representatives of the Governments of the Empire declare :

" (1) That it is their established practice to make no discrimination between the flags of shipping using their ports and that they have no intention of departing from this practice as regards countries which treat ocean-going shipping under the British flag on a footing of equality with their own national shipping.

" (2) That in the event of danger arising in future to the overseas shipping of the Empire through an attempt of a foreign country to discriminate against the British flag the Governments of the Empire will consult together as to the best means of meeting the situation."

Maritime Ports Convention.

As indicating the trend of international policy, attention may be called to the Convention on International Régime of Maritime Ports, which was signed at Geneva in December, 1923, by a special Conference under the League of Nations. The Convention provides generally on condition of reciprocity for equality of treatment in maritime ports of all vessels of the Contracting States and their cargoes and passengers, *i.e.*, it ensures both national and most-favoured-nation treatment. This treatment covers facilities and dues and charges of all kinds, but port authorities retain liberty to take the requisite measures for the proper conduct of port business provided these do not conflict with the principle of equality of treatment. All port dues and charges, by-laws and regulations are to be published before being enforced. Flag discrimination is specifically forbidden, either as regards Customs duties or railway charges on goods entering or leaving a port, *i.e.*, all such duties or charges must be irrespective of the flag of the carrying vessel.

The Convention does not apply to maritime coasting trade, but it was accompanied by a recommendation against an abusive extension of the conception of coasting trade.

Unless there are special reasons justifying an exception, Customs duties levied in a maritime port may not exceed the duties levied on the other Customs frontiers of the same State.

Each State reserves the power of suspending the benefit of equality of treatment from any vessel of a State which does not effectively apply the Convention.

Each State may declare, when signing or ratifying the Convention, that it reserves the right of limiting the transport of emigrants, but in exercising this right the States shall be guided, as far as possible, by the principles of the Convention.

The Convention has been signed or acceded to subject to ratification by the following States :—

Belgium, Brazil, British Empire,* Bulgaria, Chile, Czechoslovakia, Denmark, Esthonia, France, Germany, Greece, Hungary, India, Italy, Japan, Lithuania, Netherlands, New Zealand, Salvador, S.H.S. Kingdom, Siam, Spain, Sweden, Switzerland and Uruguay.

It has so far been ratified on behalf of Great Britain and Northern Ireland, Siam, India and New Zealand, and acceded to on behalf of Newfoundland and Southern Rhodesia.

ANNEX I.

SUMMARY OF TREATY RIGHTS IN REGARD TO SHIPPING.

Europe.

General Most-favoured-Nation Treatment.

Provisions giving general most-favoured-nation treatment of shipping appear in our Treaties with Portugal† (1914), Spain (1922), Finland (1923), Latvia (1923), Poland (1923) (the last covering also our relations with Danzig), Italy (1883), Greece (1886),‡ Netherlands (1837), and in a somewhat antiquated form in those with Sweden and Norway (1826) and Denmark (1661 and 1670).

The Treaties of Peace with Germany and Bulgaria contain Articles which give to the vessels of each of the Allied and Associated Powers most-favoured-nation treatment and also national treatment. In the case of Turkey, similar provision is made by the Commercial Convention of July 24th, 1923.

* The British Empire in this case excludes India and the self-governing Dominions, who are separate Members of the League.

† Not applicable as regards favours granted to Spain and Brazil.

‡ The Treaty with Greece has been denounced and continues in force from month to month pending the conclusion of a new Treaty, now under negotiation.

By the treaties which were made in 1919 with the new European States or those which received large accessions of territory, Czechoslovakia, Roumania and the S.H.S. State, and also Greece and Poland (in addition to the separate treaties referred to above) undertook to give most-favoured-nation treatment and national treatment to vessels of all the Allied and Associated Powers, the coasting trade being excepted.

In the case of France there is no general treaty provision assuring general most-favoured-nation treatment, but Article 4 of the Convention of 1826 gives most-favoured-nation treatment for navigation *between the two countries*, and Article 7 of the 1882 Convention gives *national* treatment for *all* British vessels and cargoes " from whatever place arriving and whatever may be the place of origin or destination of their cargoes," the coasting trade being excepted from the stipulations of this Convention.

Our commercial relations with Belgium depend on the provisional *modus vivendi* established in 1898, which relates only to " subjects and products " and contains no reference to vessels.

The Trade Agreement with Soviet Russia of March 16th, 1921, contains a provision according to British ships and their cargoes in Russian ports the same treatment in all respects as is " usually accorded by the established practice of commercial nations to foreign ships . . . and [their] cargoes."

With the exception of Belgium, Great Britain is entitled under general treaty provisions to most-favoured-nation treatment in respect of navigation with all the maritime countries of Europe.

Duties and Charges.

National treatment in this matter is secured by all our treaties with European countries except Belgium, Portugal, Roumania, the S.H.S. State, Esthonia and Lithuania. In the case of Portugal we get specifically most-favoured-nation treatment. In the case of Spain, Finland and Latvia we get both national and most-favoured-nation treatment, and the same applies in the case of the ex-enemy countries.

Stationing and Loading.

The position is generally similar in this case, except that in a group of Northern European countries, including Sweden, Norway, Denmark and Holland, there is no specific provision for either national or most-favoured-nation treatment in this respect.

Flag Discrimination.

This matter is dealt with in our treaties with all but a few of the maritime countries of Europe. In all except the most recent treaties, flag discrimination is barred only as between British and national vessels. In the treaty with Portugal, it is barred as between British and any other foreign vessels. In the

treaties with Finland, Germany, Latvia, Poland, Spain and Turkey, it is barred in both the foregoing respects. A specific reference to passengers (as well as goods) occurs in the Japanese (1911) and later (but not earlier) treaties.

Coasting Trade.

The chief European countries which still keep their coasting trade open to the shipping of other countries, including British, are Sweden, Norway (only to Italian and British shipping), Germany (to certain countries only) and Italy. In the case of Italy, British vessels have a direct right to participate in the coasting trade which is based on an Exchange of Notes. In the case of certain other countries, our Commercial Treaties give us the right to most-favoured-nation treatment in the coasting trade, and in virtue of such provisions British shipping may claim to participate in the coasting trade of Sweden and Norway; though their right at present to do so is secured by a Declaration of the (formerly joint) Governments. In the case of Germany the Commercial Treaty of December 2nd, 1924, when ratified will give us most-favoured-nation treatment and, therefore, in practice, national treatment. In many cases, though we have a most-favoured-nation clause in our treaties, it is sterile, since no other than the national flag is admitted to the coasting trade: this is the case, *e.g.*, with Latvia, Portugal and Spain. The coasting trade of Greece was opened to British vessels by the Treaty of 1886, but this Treaty is now denounced and a new one is being negotiated. Among the countries in which we have no Treaty rights in this respect are Russia, France, Belgium, Holland.

Africa.

In Morocco, including Tangier, Spanish Morocco and the French Protectorate, a Convention with the Sultan of 1856 gives British vessels and their cargoes national treatment in respect of harbour and tonnage dues and lays down specific maximum rates for such dues. Moreover, we have under the Act of Algeciras, 1906, the right to participate in the coasting trade of Morocco, but we have not any general rights to national and most-favoured-nation treatment in respect of navigation in Morocco. In Algeria, in virtue of the Anglo-French Convention of 1882 we get the same treatment as in France, that is, national treatment, except in the trade with France which is reserved as coasting trade. In 1897 the 1882 Convention was extended to Tunis, and in that case we have the right to participate in the trade with France, but subject to certain disabilities.

As regards French West Africa and the other French Colonies in Africa, we have no treaty rights except what may be derived from the additional Article to the Anglo-French Convention of 1826, which provided that British vessels should be allowed to

import into all French Colonies British products consigned from any British port, and that these vessels and their cargoes should not be subject to other or higher duties than French vessels and their cargoes. Similar rights also apply to exports in British vessels from such Colonies. In the Port of Djibuti (French Somaliland) which serves Abyssinia, British nationals get equality of treatment with French and Italian nationals under the Agreement of 1906 between Great Britain, France and Italy.

The coasting trade of French West Africa is definitely reserved to French vessels save only in cases of extreme urgency where the transport of the goods cannot be effected by a French vessel.

In the Italian and Spanish Colonies in Africa, British ships enjoy the same treatment as in Italy and Spain respectively, but the Exchange of Notes with Italy of 1904 in regard to the coasting trade contains no reference to the Italian Colonies. Portuguese Colonies are specifically excluded from the Treaty with Portugal of 1914 (Article 21), but the Treaty of June 11th, 1891, defining the British and Portuguese spheres of influence in Africa, provides that the merchant ships of the two Powers shall have freedom of navigation in the Zambesi and its outlets and also perfect equality of treatment.

The Convention of St. Germain of September, 1919, dealing with trade and navigation in the Congo basin and adjacent areas, provides that vessels of the signatory Powers, which include Great Britain, shall have access to all the coast and maritime ports in the area in question and shall be subject to no differential treatment.

Our Treaty of 1889 with Egypt gives national treatment in all matters connected with navigation and specifically in regard to "dues and charges," but the coasting trade is excepted. Flag discrimination as between British vessels on the one hand and Egyptian vessels and those of the most-favoured-nation on the other is specifically prohibited.

In the case of Liberia the 1848 Treaty contains a general clause granting "conditional" most-favoured-nation treatment* only to subjects or citizens in matters of navigation, but provides specifically for national treatment in respect of duties on vessels. Flag discrimination is prohibited as between British vessels on the one hand and Liberian vessels and any other foreign vessels on the other.

Asia.

Under the Commercial Convention of July 24th, 1923, British vessels are entitled to most-favoured-nation treatment and also to national treatment in all Turkish ports in Asia Minor. In those territories which have been detached from Turkey and have been

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* *See* page 590.

assigned to other Powers under mandate, such as Syria, Palestine and Iraq, British vessels and those of other members of the League of Nations are entitled to most-favoured-nation treatment. The mandates also contain a general provision that there shall be no discrimination against goods originating in or destined for any States members of the League of Nations.

In Persia the Commercial Agreement of 1920 provides specifically that British ships shall enjoy most-favoured-nation treatment, and also national treatment " in all matters relating to trade and navigation including port and harbour facilities and charges of all kinds."

Our Treaty of 1855 with Siam provides in general that British shipping shall enjoy the same privileges as Siamese or Chinese vessels, and in particular that British shipping shall be subject only to the payment of import and export duties on the goods landed or shipped. These duties are defined in the Treaty and in respect of the export duties it is stated that they were those then paid on goods or produce shipped in Siamese or Chinese vessels, and that British vessels are to enjoy all the privileges which are or may be enjoyed by Siamese or Chinese vessels and junks.

Our treaty rights with China are contained in a number of Treaties and Agreements extending from 1842 down to the Washington Conference Agreements of 1922. Article 29 of the Treaty of Tientsin of 1858 provides a specific maximum for the tonnage dues which shall be charged in respect of British merchant vessels, while the following Articles provide for exemption in certain cases. These Articles assume that British vessels may trade between any of the open ports of China; that is to say, to that extent the coasting trade of China is open to British vessels. Article 54 confers general most-favoured-nation treatment on the British Government and its subjects, but without any special reference to navigation or vessels. Article 5 of the Washington Treaty relating to the Chinese Customs Tariff (February 6th, 1922) provides that in all matters relating to Customs duties there shall be effective equality of treatment and opportunity for all the Contracting Powers, which would appear to secure that there shall be no flag discrimination.

In the case of Japan the Treaty of Commerce and Navigation of 1911 contains a clause giving most-favoured-nation treatment to British ships in Japan and also clauses dealing specifically with tonnage, harbour and similar dues, stationing, loading and unloading of vessels and flag discrimination. In respect of all three of these aspects of navigation, British vessels are accorded national treatment, and in the case of dues most-favoured-nation treatment is also specifically provided for. In the matter of the coasting trade, only most-favoured-nation treatment is accorded; and in fact this trade is closed to all foreign shipping as well as trade between any ports under Japanese jurisdiction.

Russian ports in Asia would appear to be " ports of Russia " within the meaning of that phrase as used in the Russian Trade Agreement of 1921, and therefore British vessels in them are entitled to receive the same treatment as is usually accorded to foreign merchant ships by the established practice of commercial nations.

North America.

Our treaty relations with the United States of America in matters of navigation depend upon the Treaty of 1815, Article 2 of which prescribes national treatment for British vessels in respect of duties or charges and also prohibits flag discrimination as between British and United States vessels, but only in respect of British* and American produce.

Our Treaty of 1888 with Mexico contains a general provision for most-favoured-nation treatment, and also provides that British ships and their cargoes shall receive most-favoured-nation treatment, with specific reference to dues and charges in the ports, docks, rivers, &c., of the two countries.

We have no treaty rights as regards the coasting trade of the United States of America or Mexico.

Central America.

Our Treaties with Nicaragua of 1905 and Honduras of 1910, besides containing a general clause giving most-favoured-nation treatment, give national treatment specifically in regard to stationing, dues and flag discrimination. They also give most-favoured-nation treatment in the coasting trade.

Our Treaty with Costa Rica dates from 1849, and the general clause relating to matters of navigation provides only for conditional most-favoured-nation treatment.† There are no specific clauses relating to the treatment of vessels, except that Article 9 provides that, in whatever relates, *inter alia*, to the loading and unloading of ships, the subjects and citizens of the contracting parties shall enjoy national treatment.

We have no treaties with Guatemala, Salvador, or Panama, and no treaty rights as regards the coasting trade of any Central American State, except as mentioned above in the case of Nicaragua and Honduras.

South America.

Treaties with Argentina and Venezuela (both 1825) contain provisions securing for British ships national treatment in regard to tonnage and analogous duties, and safeguarding them against flag discrimination; but the latter provisions only apply in respect

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* The Treaty applies only to British territories in Europe.

† *See* page 590.

of the produce of British territories imported into Argentina or Venezuela and the produce of those countries thence exported. There is a provision for most-favoured-nation treatment of British subjects in respect of the loading and unloading of ships. The Treaty with Peru of 1850 provides for national treatment in this matter.

The Treaty of 1866 with Colombia provides for national treatment generally in regard to all matters of navigation, and specifically in respect of dues, and loading and unloading; and there are provisions against flag discrimination.

Our Treaty with Paraguay of 1884 contains a general most-favoured-nation clause and also an Article giving British ships and their cargoes national treatment in Paraguay, which is specifically applied to " local treatment, dues and charges " in the ports, docks, rivers, etc., of the country.

We have at present no Treaty dealing with navigation with Brazil, Chile, Ecuador or Uruguay; and no treaty rights as regards the maritime coasting trade of any South American State.

ANNEX II.

SUBSIDIES TO SHIPPING AND SHIPBUILDING IN CERTAIN COUNTRIES.

(The following notes deal primarily with assistance of a financial character. They do not include particulars of payments for the carriage of mails; and, in general, arrangements for the remission or reduction of Customs duties on imported shipbuilding materials are not dealt with.)

Belgium.

Arising out of special war-time circumstances, Government assistance is given to the Lloyd Royal Belge Line, a shipping company formed by a law passed in July, 1916. The company owns more than one-half of the tonnage of the Belgian mercantile marine. A law approving an agreement between the Belgian Government and the company relative to its financial reorganisation was passed in August, 1923. Under its terms the Belgian State assumed the service of the interest and sinking funds of the bonds issued by the company and not drawn by January 1st, 1923, amounting to 96,188,000 francs. The annual credit inscribed in the budget for this service is 6,011,860 francs. In return, certain shares have been allocated to the State.

The company is bound, *inter alia*,

(*a*) to give Belgian goods or goods consigned to Belgium as favourable rates as those accorded to foreign goods or goods consigned to a foreign country;

(*b*) to employ at least two-thirds of its tonnage on maintaining regular lines;

(*c*) to grant a reduction of 50 per cent. for the carriage of samples of Belgian origin to a maximum of 1/1,000th part of the cargo carrying capacity of the vessel on each voyage;

(*d*) not to denationalise any vessel without the Belgian Government's authority.

The Compagnie Belge Maritime du Congo receives (as it did also before the war) a yearly subsidy from the Government of the Belgian Congo. The subsidy, which has been increased since the war owing to the depreciation of the franc, amounts at present to 400,000 francs. The company is obliged to run a three-weekly service between Antwerp and Congo ports.

Brazil.

Before the war subsidies were paid to shipping by the Brazilian Government. The total amount in 1911 was over £250,000, of which nearly £150,000 was allotted to the Lloyd Brasileiro, including £41,000 for a service to North America. The Lloyd Brasileiro is by far the largest shipping concern in the country, and the Brazilian Government is the principal shareholder.

In 1924, the Company received (in addition to a heavy subsidy for coastal purposes) subsidies amounting to approximately $4,000,000 gold for monthly sailings from Brazil to New Orleans, to New York, to the United Kingdom and to Northern Europe. The increase in the subsidy is a development of post-war conditions. The Brazilian Government took over a number of ex-enemy steamers, and, rather than sell them, decided to place them in the hands of the Lloyd Brasileiro to be operated.

The remaining subsidies granted by the Federal Government in 1924 were in respect of shipping engaged in coastal services, and amounted to $9,245,000 (paper).

For 1925, the subsidies to Brazilian shipping companies are fixed at $7,625,000 (paper). There is no information as to the amount of the subsidy (if any) in gold.

France.

Before the war, a system of bounties for shipping and shipbuilding existed in France, but the laws which established the system expired in 1914 and 1918, and were not renewed. Various small annual grants are still being paid in respect of vessels which qualified before the laws expired, but these are gradually ceasing.

It appears that at present the only payments made by the French Government to shipping are in respect of the carriage of mails. In the case of a company which was formed in 1921 to work a large fleet of mail steamers, the State has undertaken to guarantee the interest on and redemption of bonds issued by the company to the amount of 300 million francs.

No bounties, subsidies or other money payments are at present given by the central or local governmental authorities to shipbuilding in France. Concessions are, however, enjoyed by French shipbuilders in the matter of railway rates. Metallurgical products consigned from a works situated in French territory, or in territory subject to the French Customs Tariff, to shipyards for use in the construction of sea-going vessels, are carried by the railways at the reduced rates charged in respect of the same products if intended for export from France.

Germany.

Before the war, certain German shipping lines received advantages from the Government in the form of payments for special services, chiefly in connection with economic and colonial questions; and reduced rates of carriage on the German State Railways were granted to goods for export on through bills of lading from the interior of Germany to the Levant and German East Africa by the German lines serving those destinations.

The payments made now are stated to represent only an allowance for carrying mails based on the amount conveyed.

Assistance to shipbuilding before the war included preferential railway rates for goods destined for use in shipbuilding yards, and assistance of this description appears recently to have been resumed through the application of special freight tariffs to iron and steel and iron and steel goods intended for use in shipbuilding. Otherwise, there is no evidence that either direct or indirect subsidies are now granted to the German shipbuilding or allied industries by the German Government or by state or municipal authorities. A scheme has, however, been in existence since the conclusion of the war for providing credit facilities for German shipbuilding as "Productive Unemployment Relief." The scheme was announced in January, 1925, when the German Government allocated for this purpose the sum of 50 million marks from the 280 million marks at its disposal for the relief of unemployment. Under the scheme the Government are prepared to grant loans up to 50 per cent. of the agreed cost of construction. The loans, which are repayable at gold value are for five years from the date of delivery of the completed vessels but may be renewed for a further equal period.

Interest on the loans will be at the following rates:—

Period of construction	½ per cent.
1st year after delivery	4 ,, ,,
2nd and 3rd years after delivery ...	5 ,, ,,
4th and 5th years after delivery ...	6 ,, ,,

In no case, however, is the rate to exceed 1 per cent. less than the current bank rate. Should the bank rate fall below 5 per cent., bank rate will be charged.

It is stated that the scheme may possibly be extended to the breaking up yards to enable them to purchase old ships abroad.

In spite of the low rates of interest provided by the scheme, it is stated that the conditions attached to the grant of the loans are so troublesome that the interests concerned are not inclined to make much use of the facilities offered.

Italy.

Assistance to shipping was given in Italy before the war, in the form both of subsidies for commercial services and navigation bounties. The same policy is still pursued, having merely been adapted to the exigencies of post-war circumstances. The present tendency is to reduce Government aid. The subsidies in operation, for which a budget provision of 150 million lire is made, extend to a long list of services both local and transoceanic. The largest items are 46 million lire for services to " the large islands and the colonies " and 33¾ million lire for services to the Eastern Mediterranean, Egypt, Black Sea, Bombay and the Far East from Trieste. The subsidies are liable to quarterly revision, and may be considered as only provisional, as a Royal Commission was appointed in April, 1923, to consider the question of the shipping services to be subsidised.

Assistance was given to shipbuilding before the war in the form of construction and repair bounties and remission of Customs duties.

The subsidies now granted to the shipbuilding industry in Italy are regulated by a Decree of February, 1923, which remains in operation only until 31st December, 1926. It is not yet known whether the Government intend to extend the period or to introduce fresh legislation, but the general tendency at present appears to be to reduce Government aid in these matters.

The Decree contains the following main provisions :—

(*a*) Authorisation of the importation duty-free of material within specified weight limits required for the construction in Italy, for Italian nationals, of the hull, boilers and machinery of mercantile ships, seagoing, lake and lagoon dredgers and decked tugs;

(*b*) Compensation grants in respect of metallic materials, required for the same purposes, which are produced in Italy;

(*c*) Constructional grants additional to the foregoing calculated on the gross tonnage of the completed hull, on the power of the propelling machinery and on the weight of the boilers and auxiliary machinery;

(*d*) Exemption from income tax in respect of vessels enjoying the foregoing benefits for the first five or three years effective service according to the date of completion;

(*e*) Importation duty-free of materials required for transformations and modifications executed in national yards for national and foreign account;

(*f*) Grants calculated on the gross tonnage in respect of the demolition of mercantile ships with metallic hulls flying the Italian flag when the owners undertake to lay down and complete in Italy an equivalent tonnage of the same or superior type.

The 1925-26 estimates provide for a total expenditure of 31·9 million lire on shipbuilding, ship-repairing and ship-breaking subsidies, of which 25 million lire is devoted to the construction of steamships with metal hulls, while 2·9 million lire are devoted to the construction of dredgers and tugs and 2 million lire each to repairs and to shipbreaking.

Japan.

Very substantial shipping subsidies were granted by the Japanese Government before the war, and this system is still in operation. The total amount provided in the Budget in recent years for this purpose has been nearly 7 million yen. A large number of the subsidies are for coastal and local services but overseas routes are also included, the chief of these being the North American and South American routes. The present law authorises the grant of sums not exceeding the following for the three years mentioned :—

	North American Route. Yen.	South American Route. Yen.
1924 ...	... 902,804	1,249,627
1925 ...	... 663,075	1,432,995
1926 ...	... 616,379	1,846,024

Subsidies are also given for services to Java and Bangkok, to numerous Chinese ports, Korea, Vladivostock, etc.

The subsidised vessels are controlled as to freights and passage rates by the Government, and must carry mails free of charge. The Government have the right to buy up or use the vessels on the several routes.

Netherlands.

Before the war, subsidies were paid by the Netherlands Government or the Governments of Dutch colonies to certain steamship lines for the maintenance of specified services.

At present, financial assistance is being given to three lines.

In the case of the Royal Dutch Lloyd, the sums advanced (for a quarter of which the Amsterdam Municipality are responsible) will make up the deficits in the exploitation accounts. The advances, which are at 6 per cent. per annum, are limited to a maximum total of 7 million florins, and the period of assistance is for five years from October, 1923. At least 42 voyages annually must be made to Brazilian or Argentine ports. In the case of the Zeeland Steamship Company, which carries on the cross-Channel service from Flushing, shares are held of a nominal value of 1,000,000 florins, and a sum of 2,400,000 florins has been granted as a loan against cumulative interest of 6 per cent., 4 per cent. of which will be paid and the remaining 2 per cent. retained at the disposal of the State in the event of the profits in the following years, after statutory writing off, amounting to more than 6 per cent. of the share capital. In the case of the Netherlands South Africa Shipping Company, the subsidy amounts to 1,000,000 florins per annum for five years from the end of 1920. The company are to carry on a monthly service (twelve voyages a year), to be increased within five years to twenty-four voyages a year. If the profits for distribution amount to more than 6 per cent. of the paid-up capital, the Government will be entitled to interest of 5 per cent. on the unredeemed part of the subsidy out of this surplus profit.

There appears never to have been a regular system of subsidies for the shipbuilding industry in Holland, and no subsidies have in any case been given for ship repairing. In 1924 there were, however, a few special shipbuilding cases in which it was decided that subsidies should be given. In these cases the subsidy was not granted in the shape of a lump sum, but was a percentage based on the estimated amount of wages paid. The purpose of the subsidy was in each case to relieve unemployment, and it was paid jointly by the Dutch Government and by the municipality in which the shipbuilding yard concerned was situated.

All recent reports from official sources make it clear that subsidies are not now, and have not been for some time, granted in Holland in connection with shipbuilding.

Norway.

State subsidies are granted for the maintenance of services in Norway now as they were also before the war. The total annual amount has decreased since 1920, and is still decreasing, but is much larger than before the war. The subsidies are, however, mostly devoted to coastal services, which, though uneconomic, are necessary in view of the difficulty of maintaining communication by land; but they include a grant of Kr.180,000 for a service between Bergen and Newcastle, Kr.243,000 in aid of the service between Kristianssand and Fredrikshavn (Denmark) and Kr.55,000 as a contribution (according to an ancient treaty agreement) to the trade between Norway, Spain, Portugal and Italy.

For the Budget period 1924-25 the total amount of the subsidies was 8 million kroner; and for the Budget period 1925-26, 7·7 million kroner.

Portugal.

Various subsidies were paid to shipping companies before the war for the maintenance of specific services. It appears that these have all been discontinued, and the only subsidies now given are small payments made by one or two of the Portuguese colonies.

Spain.

Shipping subsidies were granted before the war in the form of bounties on general navigation and grants to individual lines for the establishment of specified services. The bounties on general navigation have been suspended, but in compensation the amounts allotted to the various shipping companies have been increased.

In the case of the Compania Trasatlantica, a new contract was made in 1925 prolonging with modifications the previous subsidy arrangements. The contract provides for the building between 1928 and 1936 of thirteen new vessels for transoceanic service, and for the guarantee by the State of the interest and capital of loans issued by the Company to cover the cost of these vessels.

The Company is also authorised to issue loans to cover the possible deficits in its working, should the subvention not be sufficient to cover all the provisions of the contract. The interest and amortisation of these loans will also be guaranteed by the State. The State will reserve the right to pay in cash the whole or part of the deficit, or to authorise loans, whichever may be considered more convenient.

The State subvention can at no time exceed 28,305,177 pesetas.

The deficit for the year 1923 is fixed by the contract at 15,589,255 pesetas, and the Company is authorised to issue a loan with the guarantee of the State, in order to cover that deficit. The same operation is authorised for the deficit for the year 1924. The corresponding sum will be loaned to the Company by the State.

The contract also contains provisions for the limitation of dividends while the services are run at a loss, and for the appropriation of profits to the reduction of the subvention.

The other principal subsidies at present in force amount to about 10 million pesetas for services between Spain, the Balearic and Canary Islands and North Africa, and about 3½ millions for services in the Canary Islands and neighbouring African ports.

Bounties on shipbuilding on a tonnage basis have been provided for since 1909, and the scale of payments was increased in 1924. The increase was nearly 50 per cent. for cargo vessels, about 133 per cent. for cargo and passenger boats, and 120 per cent. for passenger vessels.

Sweden.

A Government fund from which to make loans in respect of navigation and shipping was formed in 1903. The loans are primarily intended for the promotion of Swedish overseas shipping. The rate of interest is 4 per cent., and the recipients of loans are required to set aside annually by way of a sinking fund one-sixth of the amount of the loan commencing from the third year. This system is still in operation. The latest appropriations were Kr.860,000 in June, 1924, and Kr.2,000,000 in January, 1925, Kr.2,200,000 out of the total of Kr.2,860,000 being in respect of motor-driven vessels.

Direct shipping subsidies were an active feature of Swedish shipping policy fifteen to twenty years ago, but they have now become comparatively negligible, and are granted at present only to one company in respect of certain local services in the Baltic.

United States of America.

Private Shipping.—The subject of direct subsidy and of indirect aid to the national mercantile marine has been frequently brought before the American public and the Federal Congress during the last thirty or forty years, but opinions on the subject have always conflicted to such an extent that no general scheme of Government assistance to shipping has ever been able during those years to command adequate support in Congress. Nevertheless, one minor measure of indirect assistance was adopted before the war. This was the Postal Aid Act of 1891, under which arrangements were authorised with American steamship companies for the carriage of mails at rates somewhat higher than the contract rates paid to foreign steamers.

As a result of the war, and particularly the shortage of tonnage then experienced, the rapid building-up of an American merchant fleet under war pressure and finally the complexities attending the profitable use of that additional tonnage in the years following the war, the opposition to indirect aid to shipping was seriously weakened in the United States, as is indicated by the passing of the American Merchant Marine Acts.* The prejudice against direct subsidy was also weakened to some extent, but remained strong enough to prevent the enactment of the Subsidy Bill of 1922;*; and at the present time no direct subsidies are paid to privately-owned American merchant shipping.

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* *See* p. 607.

Government-owned merchant vessels are operated in the foreign trade by managing agents appointed by the United States Shipping Board under an arrangement whereby the Board meet all operating losses. These losses have, of course, to be met by the taxpayers of the country and are, in effect, an elastic subsidy for Government-owned ships. The losses have been very substantial. The deficit for the year 1921-2 was $79,206,599. For the financial year ending June 30th, 1925, it is estimated that the operating losses will reach about $36,000,000.

The present Administration is in favour of putting an end to these annual losses, but they find it impossible under present conditions to transfer the fleet to private hands. Meanwhile, therefore, the Shipping Board remains indefinitely committed to the operation of the ships.

The Shipping Board have power to draw upon the Construction Loan Fund (see below) to an extent not exceeding $25,000,000 for the expenses of installing internal combustion engines on Government-owned merchant vessels. Work has commenced on fourteen cargo vessels averaging from 8,000 to 9,000 tons, and it is believed that the funds available will suffice for the conversion of fifty merchant ships.

Construction Loan Fund.—Provision for assistance to shipbuilding is made by the Merchant Marine Act, 1920, as amended by an Act of 1924. The United States Shipping Board were empowered to form a special "Construction Loan Fund" by the setting aside, for five years from June, 1920, of an annual sum of $25,000,000 out of the revenues derived from sales and operations. The fund is in the nature of a revolving fund, no time limit having been set on its operations. Out of this fund, moneys up to two-thirds of the cost may be advanced to enable new and up-to-date vessels to be constructed in United States shipyards. Such vessels must be kept under the United States flag for not less than five years from the date of the loan and must be employed for the establishment or maintenance of services on trade routes approved by the Shipping Board.

The maturity period of these loans is limited to a maximum of fifteen years, and interest is to be not less than 5¼ per cent. per annum while the vessel is operated exclusively in the coast-wise trade or inactive, and not less than 4¼ per cent. per annum while the vessel is operated in foreign trade.

Sums advanced to private American shipowners out of the construction loan fund amounted to less than $1,000,000 on July 1st, 1923.

During the fiscal year ended June 30th, 1924, loans aggregating somewhat over five million dollars were authorised; and a total of between four and five millions is reported to have been sanctioned during the current year. Most of the vessels concerned are stated to be for use in the coastwise trade. On June 30th,

1924, the construction loan fund had a balance of $57,900,000 to its credit.

Taxation exemptions.—The Merchant Marine Act, 1920, contains two provisions for certain concessions to shipowners in the matter of taxation for 10 years from 1920, conditional on the amount of the exemption being used for building new ships in the United States. These exemptions have hitherto been of little or no importance as the prevailing business conditions have rendered them practically unavailable.

SPANISH ROYAL DECREE OF 30th APRIL, 1924, AS TO STATE ASSISTANCE TO INDUSTRY.

Note as to principal provisions.

1. The Decree empowers the Government to grant assistance for the purpose of aiding in the creation of new industries and the development of those already existing, and provides that applications for such assistance may be made during a period of three years from the 2nd May, 1924. This period may be extended for a further three years on the recommendation of the competent authorities.

2. The following industries are entitled to benefits under the Decree if the applicants are qualified as stated below:

(*a*) New industries, *i.e.*, industries which have as their principal object the supply of Spanish natural products and which are as yet non-existent or not fully developed.

(*b*) Existing industries whose production is insufficient in quantity or quality to supply the normal demand in the country.

(c) Industries whose surplus production is exported.

Industries connected with national defence are to receive preferential consideration.

The benefits of the Decree may be granted to all agricultural and stock-raising industries, mining and industries using minerals, steel and metal works, factories, industries for constructing buildings and for making railway material, hydro-electric and electro-thermic works, and all subsidiary industries.

3. To ensure their being qualified in regard to the indispensable condition that they must be Spanish firms, applicants must comply with the following rules:

(*a*) In the case of a sole trader he must be of Spanish nationality, as also must the managers and directors of firms, but in the case of limited liability companies one-third of the board of directors may be foreigners. No foreigner may be president of the board or managing director.

(*b*) 75 per cent. of the capital must be owned by Spaniards, whatever the constitution of the firm or organisation.

(*c*) 80 per cent. of the office staff and workmen employed must be of Spanish nationality. During the first three years, however, the employment of foreigners in the following proportions will be permitted: 75 per cent. during the first year, 50 per cent. the second, and 30 per cent. the third.

(*d*) The fuel, material and fittings used in the installation and the articles employed by the protected industry must be of national production, excepting when they have to be acquired abroad for technical reasons, or owing to a difference in cost exceeding 15 per cent. or on account of proved urgency, or when production in Spain is insufficient to meet the requirements of the country.

Benefits are to be granted for not more than eight years, dating from their coming into force. Provision is made for State inspection of industries which receive benefits, and for total or partial withdrawal of the benefits if the requisite conditions are not complied with.

4. The State aid may take the form of:

(*a*) Privileges, concessions, or other advantages without direct economic assistance.

(*b*) Loans made in conjunction with the Banco de Crédito Industrial.

The above benefits are to apply to industries covered by paragraphs 2 (*a*) and (*b*).

(*c*) Guarantee of minimum interest on capital invested. This is only to apply to industries covered by paragraph 2 (*a*) and a loan will not be granted in addition.

(*d*) Assistance for exportation. This is only to apply to industries covered by paragraph 2 (c), but when an industry falls under both paragraph 2 (*a*) and paragraph 2 (*c*) then privileges and export assistance may be granted at the same time.

5. The Decree specifies various forms in which State aid not of a direct economic nature may be given. These include:

(i) Exemption from Royal dues and stamp taxes levied upon the formation, extension and re-organisation of a company and on its capital. This is to extend to all shares and debentures issued for the establishment, extension or improvement of the industry during eight years.

(ii) A 50 per cent. reduction on all direct taxes payable by the concern during five years. This may be extended to eight years in the case of industries dealing with material required for national defence, by-products of coal and schists, and the development of oil fields.

(iii) Exemption from import duties during a maximum period of five years for natural and semi-manufactured products not obtainable in Spain, the exemption ceasing when there is a national production and the Council of National Economy makes a declaration to that effect. This exemption is also to apply to any other industry already established in Spain which uses the same products.

(iv) Exemption from import duties on special patented or new machinery which is required in the building up of a new industry or in the extension or development of an industry but which is not obtainable in the country.

(v) Purchases by the State guaranteed by the conclusion of contracts for periods of up to fifteen years, and advances made against future deliveries under these contracts.

(vi) Government support in obtaining the benefit of a reduction in rates of freight from railway or shipping companies.

(vii) The intervention of the Government with a view to obtaining reductions or exemptions from local rates.

6. Loans under the Decree will be effected through the Banco de Crédito Industrial for periods of up to fifteen years. The total amount lent is not to exceed 150 million pesetas.

7. In order to favour the establishment of large industries for which the above provisions do not provide sufficient inducement, a State guarantee of interest may be granted. This guarantee is only to be available for enterprises considered to be of national importance, as defined in the Decree.

The rate of interest provided for is 5 per cent. The guarantee is applicable solely to capital issued and paid up, and it will cover a period not exceeding eight years. The maximum sum allotted for this class of payment is 10 million pesetas per annum, accumulation of unspent sums being allowed.

In the case of large industries of national importance, the capital on which the interest is guaranteed may be composed of shares and debentures to the extent of one-half of the total, and only 25 per cent. of these shares and debentures can be transferred abroad.

Any industry protected by a State guarantee of interest, which is in a position to pay over 6 per cent. dividend on its shares, must surrender half the profits earned in excess of this dividend to the State.

8. State aid for facilitating competition abroad may be granted to industries covered by paragraph 2 (*c*) and to those for which foreign markets are required for their surplus production. It is a condition of any concession that the position of the applicant industry shall be declared, and the methods of work and the machinery must be of modern character. In the case of a new industry, an exclusive grant of assistance may be made for five years, but the concession will be withdrawn if other firms in the same industry introduce more advanced processes or accept less protection.

The Government will indicate the foreign markets and the nature of the merchandise to which the foregoing arrangements may apply.

If high rates of freight constitute an obstacle to the exportation of manufactured products or to the delivery of imported or Spanish natural products at the place where they are to be worked up, compensation may be given for the addition thus resulting in the cost of exported goods.

The benefits set out in paragraph 4 (*a*)-(*c*) are not to be applied to industries in which excess production demands a foreign market, but these industries may receive the benefits of paragraph 5 (iii) and (iv) in order to lessen their costs of manufacture for export.

The amount expended in directly assisting exportation is not to exceed 15 million pesetas annually for a period of eight years, sums not disbursed being allowed to accumulate.

Trusts formed with the object of increasing the price of articles to be specified by the Government are not entitled to the benefits prescribed under this heading.

9. The Decree stipulates that State aid shall not be given to any industry if that industry is thereby enabled to compete with a similar pre-existing industry, and provides that petitions may be submitted to the competent Department by the industries likely to be prejudiced for the purpose of securing this object; but such protests must be accompanied by proofs that the complainant enterprise is being developed on modern lines.

IMMUNITY OF STATE ENTERPRISES.

The growing extent to which certain Governments have recently tended to engage in trade is giving increasing practical importance to the question of policy with regard to the treatment of State-owned or State-controlled commercial enterprises in respect of their immunity both from taxation and from the other obligations to which private commercial enterprises are liable; and, should nationalisation of industries extend in future, some understanding on the subject will become imperatively necessary. Private enterprise is naturally restive under State-organised competition, and the commercial community will certainly resent the indefinite continuance of a state of things under which they are exposed to what they regard as the unfair competition of enterprises which are free from the ordinary trade liabilities to which they themselves are subject.

The only specific international action that has so far been taken in the matter is that expressed in Article 281 of the Treaty of Versailles and the corresponding articles of the other Peace Treaties :—

> *Article* 281.—If the German Government engages in international trade it shall not in respect thereof have or be deemed to have any rights, privileges or immunities of sovereignty.

These provisions are general, as covering all forms of immunity and all forms of enterprise, but they are limited to trade between ex-enemy countries and other countries.

A proposal for international action with respect to the case of State-controlled shipping was formulated by the " Comité Maritime International " (a non-official body) at a meeting in London in October, 1922, in the shape of a series of recommendations to form a basis of a draft convention. The recommendations were brought before the International Maritime Conference (an official body) which met at Brussels in October, 1922, to consider certain conventions for the unification of maritime law, and it was left to the Belgian Government, as Convener of the Conference, to consider whether the subject of immunity of State-owned ships should be placed on the agenda of a future Conference. In the summer of 1923 the Maritime Law Committee of the International Law Association met at Gothenburg and put into the form of a draft Convention the resolutions of the Comité Maritime International, which were broadly to the effect that State-owned ships should accept the same liabilities as those of private-owned ships, subject to certain exceptions relating mainly to war ships and other vessels owned or operated by States and employed for non-trading purposes. A special committee of the Brussels International Maritime Conference, which met in October, 1923, recommended that the Belgian Government should ascertain the views of other Governments as to the adoption of a Convention on the lines of the Gothenburg draft.

The Imperial Economic Conference held in 1923 considered this draft convention and recommended that, as amended after consultation between the Admiralty and the Board of Trade, it should be adopted throughout the Empire as the basis on which an international convention might be concluded. The amended draft is set out in the resolutions of the Imperial Economic Conference, a copy of which is appended. (See Resolution II.) It may also be mentioned that the International Convention on Maritime Ports, 1923 (see page 612), contains a provision applying its requirements to all vessels, whether publicly or privately owned or controlled, with the exception of warships and vessels of similar description.

As regards State-controlled enterprises other than shipping, it is a matter for consideration how far such enterprises (*e.g.*, railways, banks, etc.) should be dealt with on similar lines to those proposed for shipping.

The general question of immunity from taxation of the government of a foreign country carrying on trade in the United Kingdom or in a Dominion, or of the government of a country within the British Empire carrying on trade in a foreign country, was also considered by the Imperial Economic Conference, and the resolutions contained in the Annex were adopted on the 1st November, 1923.

ANNEX.

Resolutions of the Imperial Economic Conference, 1923 (Cmd. 2009/24).

I.

This Imperial Economic Conference, so far as it is competent for its members without prejudice to the rights of the States or Provinces of a self-governing Dominion, agrees with the recommendation of the Committee on the Liability of Dominion and Foreign Governments, etc., to United Kingdom taxation expressed in the following terms, viz. :—

> " Any Government within the Empire, so far as it engages in trade, shall be treated as liable to the taxation of any other country within the Empire, in which it may either own property in connection with trade, or make trade profits; the liability of the United Kingdom Government or any Dominion Government so far as engaged in trade shall be co-extensive with the liability of a private trading corporation in similar circumstances."

It is agreed that each of the several Parliaments of Great Britain, the Dominions and India shall be invited to enact at the earliest opportunity a declaration that the general and particular

provisions of its Acts or ordinances imposing taxation shall be deemed to apply to any commercial or industrial enterprise carried on by or on behalf of any other such Governments in the same manner in all respects as if it were carried on by or on behalf of a subject of the British Crown. It is not contemplated that such legislation should have retrospective effect for any year prior to 1924.

This Conference further agrees that, as soon as possible after the passing of the aforesaid legislation, negotiations should be opened with the Governments of foreign countries, in accordance with the recommendations of the aforesaid Committee, " with a view to reciprocal agreement between those countries and the Empire to the following effect: if or when the Government of a foreign country carries on trade in the United Kingdom or in a Dominion, and if or when the Government of a country within the British Empire carries on trade in a foreign country, the trading Government shall not, in its character as such, be treated as entitled to any sovereign immunity from taxation either directly or through the claim of superiority to the jurisdiction of municipal Courts; nor shall a Government so trading be treated as entitled to any sovereign immunity from taxation in respect of property in the other country concerned which it may own or hold in a trading capacity or in connection with trade."

It is understood that, as the Committee recommended, it would be a proviso to the whole agreement that it should be without prejudice to the national interests of a sovereign State in any emergency of war.

II.

The Conference further recommends that the draft convention on the immunity of State-owned ships adopted by the meeting of the International Maritime Committee held at Gothenburg in August last, and amended after consultation between the British Admiralty and Board of Trade, should be adopted throughout the Empire as the basis on which an international convention might be concluded. This amended draft is as follows :—

" *Immunity of State-owned Ships.*

" (Amended Draft: October 26th, 1923.)

" *Article* 1.—Vessels owned or operated by States for trading purposes, cargoes owned by them and cargoes and passengers carried on such vessels and the States owning or operating such vessels shall be subjected in respect of claims relating to the operation of such vessels or to such cargoes to the same rules of legal liability (*i.e.*, liability to be sued for payment) and to the same obligations as those applicable to private vessels, persons or cargo.

"*Article* 2.—Such liabilities shall be enforceable for the tribunals having jurisdiction over and by the procedure applicable to a privately-owned ship or cargo or the owner thereof.

"*Article* 3.—Ships of War, State Yachts, Surveying Vessels, Hospital Ships and other vessels owned or operated by States and employed on other than trading purposes shall continue to enjoy the respective privileges and immunities hitherto enjoyed by them by the comity of nations. Liabilities against such ships in respect of collisions or salvage claims shall, however, be enforceable, but only by action before the competent tribunals of the State owning or operating such vessels; and no such vessel shall be liable to arrest. Similarly, State-owned cargo carried for non-commercial purposes in ships owned or operated by the State shall not be subject to seizure, but shall be liable to process of Law, but only in the Courts of the State owning such vessels.

"*Article* 4.—The provisions of this Convention will be applied in every contracting State in all cases where the claimant is a citizen of one of the contracting States, provided always that nothing in this Convention shall prevent any of the contracting States from settling by its own laws the rights allowed to its own citizens before its own Courts.

"*Article* 5.—This Convention shall not be binding on a belligerent State in respect of claims arising during the period of belligerency."

CHAPTER IV.

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TABLE 1.

EXTERNAL TRADE OF THE UNITED KINGDOM.

NET IMPORTS, BRITISH EXPORTS, AND RE-EXPORTS DURING THE HALF-CENTURY 1875-1924.

(Declared values.)

Note.—From April 1st, 1923, the particulars include the trade of Great Britain and Northern Ireland with the Irish Free State, and exclude the direct foreign trade of the Irish Free State. (See Table 3A, page 655.)

(A) *Total Trade—All Classes.*

Period.		Net Imports.	British Exports.		Re-exports
			Excluding Ships.	Ships.	
		£1,000's.	£1,000's.	£1,000's.	£1,000's.
Pre-War (Annual average).	1875-9 ...	319,500	201,500	Particulars not available.	55,500
	1880-4 ...	343,600	234,300		64,000
	1885-9 ...	318,800	226,200		60,900
	1890-4 ...	357,055	234,450		61,537
	1895-9 ...	392,704	237,830		60,318
	1900-4 ...	446,040	282,761	6,469	67,379
	1905-9 ...	522,116	369,225	8,117	85,159
	1910-13...	610,990	466,121	8,122	106,958
War ...	1914-18...	896,925	467,664	2,410	78,545
Post-War	1919 ...	1,461,410	796,310	2,328	164,746
	1920 ...	1,709,896	1,307,915	26,554	223,753
	1921 ...	978,581	672,774	30,626	106,919
	1922 ...	899,404	689,521	29,986	103,695
	1923 ...	977,682	757,558	9,700	118,544
	1924 ...	1,139,696	789,843	5,522	140,149

(B) *Class I.—Food, Drink and Tobacco.*

Period.		Net Imports.	British Exports.	Re-exports.
		£1,000's.	£1,000's.	£1,000's.
Pre-War (Annual average).	1875-9 ...	Particulars not available.		
	1880-4 ...			
	1885-9 ...			
	1890-4 ...	169,985	10,223	12,287
	1895-9 ...	183,888	11,612	11,757
	1900-4 ...	214,895	15,854	11,045
	1905-9 ...	234,283	21,988	12,092
	1910-13 ...	263,104	31,647	14,890
War ...	1914-18 ...	414,289	22,436	14,659
Post-War ...	1919... ...	675,779	33,771	43,340
	1920... ...	719,713	50,936	46,094
	1921... ...	536,785	37,399	30,221
	1922... ...	450,124	36,301	21,757
	1923... ...	484,321	44,344	24,543
	1924... ...	543,051	56,923	29,818

(C) *Class II.—Raw Materials and Articles Wholly or Mainly Unmanufactured.*

Period.		Net Imports.	British Exports.	Re-exports.
		£1,000's.	£1,000's.	£1,000's.
Pre-War (Annual average).	1875–9 ...	Particulars not available.		
	1880–4 ...			
	1885–9 ...			
	1890–4 ...	110,209	23,316	34,901
	1895–9 ...	112,242	23,681	33,431
	1900–4 ...	135,471	37,981	37,183
	1905–9 ...	160,867	45,686	48,401
	1910–13 ...	195,400	55,862	63,262
War ...	1914–18 ...	271,408	55,589	42,371
Post-War ...	1919	523,792	111,291	82,992
	1920	587,425	145,516	122,931
	1921	220,757	63,595	50,037
	1922	243,275	101,965	55,063
	1923	258,170	130,809	66,752
	1924	324,267	106,489	76,325

(D) *Class III.—Articles Wholly or Mainly Manufactured.*

Period.		Net Imports.	British Exports.		Re-exports.
			Excluding Ships.	Ships.	
		£1,000's.	£1,000's.	£1,000's.	£1,000's.
Pre-War (Annual average).	1875–9 ...	59,300	178,100	Particulars not available.	
	1880–4 ...	64,700	206,400		
	1885–9 ...	66,800	196,900		
	1890–4 ...	75,850	199,289	Particulars not available.	14,174
	1895–9 ...	94,331	199,649		14,981
	1900–4 ...	113,444	224,619	6,469	18,963
	1905–9 ...	125,063	291,308	8,117	24,515
	1910–13...	150,332	368,932	8,122	28,661
War ...	1914–18	207,336	372,881	** 2,410	21,467
Post-War.	1919 ...	257,542	639,156	2,328	38,413
	1920 ...	399,791	1,093,186	26,554	53,649
	1921 ...	217,939	558,263	30,626	26,542
	1922 ...	202,928	538,538	29,986	26,821
	1923 ...	229,855	570,257	9,700	27,164
	1924 ...	266,011	612,749	5,522	33,855

Notes.—Owing to changes in the method of classification (principally in the years 1894, 1906 and 1919), the particulars are not strictly comparable throughout the period covered by the Tables, but the effect of the changes is not sufficiently great to vitiate the broad results set out.

In this and the following Tables, the heading "Total Trade—All Classes" includes Parcel Post and Live Animals, for which separate tables have not been prepared.

TABLE 2.

EXTERNAL TRADE OF THE UNITED KINGDOM.

NET IMPORTS, BRITISH EXPORTS, AND RE-EXPORTS 1900-1924.

(*Values on the basis of* 1913).

Table 1 shows the actual declared values of the import and export trade of the United Kingdom (totals and main classes) from 1875 to 1924.

In the following tables, which relate to the period 1900 to 1924, the trade of each year is expressed approximately at *the amount representing the imports and exports of that year at the average values of corresponding goods imported or exported in the year* 1913.

(A) *Total Trade.—All Classes.*

Period.	Net Imports.		British Exports.		Re-exports.	
	Value.	Relative Figures.	Value.	Relative Figures.	Value.	Relative Figures.
	Mill. £	1913=100.	Mill. £	1913=100.	Mill. £	1913=100.
Annual average—						
1900–1904	523·6	79·4	326·6	62·2	82·8	75·6
1905–1909	556·8	84·5	412·4	78·5	93·3	85·1
1910–1913	614·9	93·3	493·1	93·9	105·3	96·1
1910	573·4	87·0	462·4	88·0	99·6	90·9
1911	590·9	89·6	479·2	91·2	102·3	93·3
1912	636·3	96·5	505·6	96·3	109·8	100·2
1913	659·2	100·0	525·3	100·0	109·6	100·0
1919	591·4	89·7	288·2	54·9	85·9	78 4
1920	578·8	87·8	372·2	70·9	99·0	90·4
1921	484·2	73·5	261·7	49·8	86·0	78·5
1922	570·1	86·5	361·8	68·9	89·3	81·5
1923 Including trade with the Irish Free State.*	641·7	97·3	404·4	77·0	94·0	85·8
1924 Including trade with the Irish Free State.*	719·5	109·1	420·6	80·1	106·2	96·9
1923 Adjusted approximately for comparison with earlier years.	625·7	94·9	391·4	74·5	89·0	81·3
1924 Adjusted approximately for comparison with earlier years.	701·1	106·4	396·5	75·5	99·2	90·5

* From April 1st, 1923, the particulars include the trade of Great Britain and Northern Ireland with the Irish Free State, but exclude the direct foreign trade of the Irish Free State.

(B) *Class I.—Food, Drink and Tobacco.* (See *Note after Table D as to change of classification.*)

	Period.	Net Imports.		British Exports.		Re-exports.	
		Value.	Relative Figures.	Value.	Relative Figures.	Value.	Relative Figures.
		Mill. £	1913 = 100	Mill. £	1913 = 100	Mill. £	1913 = 100
Annual average:							
Old Classification.	1900–1904 ...	246·9	89·9	16·6	51·1	13·4	83·8
	1905–1909 ...	251·3	91·6	22·8	70·0	13·6	85·5
	1910–1913 ...	260·5	95·0	30·9	94·9	15·1	94·9
	1910	250·0	91·2	27·6	84·7	14·2	89·0
	1911	258·0	94·1	30·0	92·2	15·4	96·3
	1912	259·5	94·6	33·4	102·5	15·0	94·1
	1913	274·3	100·0	32·6	100·0	15·9	100·0
New Classification.	1913	278·9	100·0	33·9	100·0	16·3	100·0
	1919	263·9	94·6	14·7	43·3	21·7	133·6
	1920	240·2	86·1	18·8	55·4	25·1	154·6
	1921	252·6	90·6	16·6	48·9	22·7	139·7
	1922	275·9	98·9	17·8	52·7	17·3	106·6
	1923*... ...	319·2	114·5	23·3	68·9	18·9	116·0
	1924*... ...	349·2	125·2	29·1	85·8	21·6	132·5

(C) *Class II.—Raw Materials and Articles Wholly or Mainly Unmanufactured.* (See *Note after Table D as to change of classification.*)

	Period.	Net Imports.		British Exports.		Re-exports.	
		Value.	Relative Figures.	Value.	Relative Figures.	Value.	Relative Figures.
		Mill. £	1913 = 100	Mill. £	1913 = 100	Mill. £	1913 = 100
Annual average:							
Old Classification.	1900–1904 ...	158·5	72·8	42·2	60·4	45·1	70·4
	1905–1909 ...	179·3	82·3	56·6	80·9	51·1	79·8
	1910–1913 ...	204·7	94·0	64·7	92·6	60·1	93·9
	1910	191·0	87·7	61·7	88·2	54·8	85·5
	1911	191·4	87·9	62·8	89·9	56·9	88·8
	1912	218·5	100·3	64·4	92·1	64·9	101·3
	1913	217·8	100·0	69·9	100·0	64·0	100·0
New Classification.	1913	206·2	100·0	66·2	100·0	63·7	100·0
	1919	207·3	100·5	34·7	52·5	46·4	72·8
	1920	194·4	94·3	31·7	47·9	53·0	83·2
	1921	127·3	61·7	29·9	45·1	47·5	74·6
	1922	163·9	79·5	62·6	94·7	54·2	85·1
	1923*... ...	163·6	79·3	71·1	107·4	55·6	87·1
	1924*... ...	185·7	90·1	59·2	89·4	59·5	93·4

* *See* Note on previous page.

(D) *Class III.—Articles Wholly or Mainly Manufactured.*

Period.		Net Imports.		British Exports.		Re-exports.	
		Value.	Relative Figures.	Value.	Relative Figures.	Value.	Relative Figures.
		Mill. £	1913 = 100	Mill. £	1913 = 100	Mill. £	1913 = 100
Annual average:							
Old Classification.	1900–1904 ...	116·4	70·9	264·6	64·3	24·6	83·6
	1905–1909 ...	124·6	75·9	327·5	79·6	28·8	97·8
	1910–1913 ...	147·8	90·0	387·4	94·2	30·1	102·3
	1910	130·8	79·7	364·3	88·6	31·0	105·3
	1911	140·2	85·4	377·0	91·6	30·3	102·9
	1912	156·0	95·0	396·9	96·5	29·7	100·9
	1913	164·1	100·0	411·4	100·0	29·5	100·0
New Classification.	1913	171·5	100·0	413·8	100·0	29·5	100·0
	1919	118·3	68·9	234·4	56·6	17·9	60·5
	1920	143·1	83·4	316·1	76·4	20·9	70·8
	1921	102·7	59·9	210·1	50·8	15·7	53·3
	1922	127·8	74·5	274·6	66·4	17·6	59·8
	1923*... ...	155·1	90·4	303·5	73·3	19·5	66·0
	1924*... ...	180·1	105·0	325·1	78·6	24·8	84·1

* *See* Note on page 638.

Note.—In Tables B, C and D, the grouping of goods in the several classes differs somewhat for the period before the War and for that following the War. The adjustments needed to reduce the earlier data to the standard now in use would not be recompensed by greater reliability of the relative figures. It will be obvious that the figures given cannot in any case have the exactness attaching to direct records of actual values.

TABLE 3.

EXTERNAL TRADE OF THE UNITED KINGDOM.

DISTRIBUTION.

I.—*Distribution between the British Empire and Foreign Countries.*

Note.—From April 1st, 1923, the particulars include the trade of Great Britain and Northern Ireland with the Irish Free State, and exclude the direct foreign trade of the Irish Free State. The figures given in brackets in the tables represent the position for comparison with earlier years, *after exclusion of trade with the Irish Free State.* For particulars of the trade of Great Britain and Northern Ireland with the Irish Free State see Table 3A, page 655.

(A) *Total Trade.—All Classes.*

	1913.	1922.	1923.	1924.
A.—VALUES.	£1,000's.	£1,000's.	£1,000's.	£1,000's.
Net Imports retained from:				
Foreign Countries	523,537	667,309	714,463	832,858 (*a*)
British Empire	135,631	232,095	263,219	306,838 (*a*)
All Sources	659,168	899,404	977,682	1,139,696
Exports of British Produce and Manufactures to:				
Foreign Countries	329,351	449,305	466,655	462,829
British Empire	195,903	270,202	300,603	332,536
All Destinations...	525,254	719,507	767,258	795,365
B.—PERCENTAGES.				
Net Imports retained from:	Per Cent.	Per Cent.	Per Cent.	Per Cent.
Foreign Countries	79·4	74·2	73·1 (75·6)	(*c*)
British Empire	20·6	25·8	26·9 (24·4)	
All Sources	100·0	100·0	100·0	
Exports of British Produce and Manufactures to:				
Foreign Countries	62·7	62·4	60·8 (62·8)	58·2 (61·5)
British Empire	37·3	37·6	39·2 (37·2)	41·8 (38·5)
All Destinations...	100·0	100·0	100·0	100·0

(B) *Class I.—Food, Drink and Tobacco.*

A.—VALUES.	£1,000's.	£1,000's.	£1,000's.	£1,000's.
Net Imports retained from:				
Foreign Countries	207,147	304,937	307,044	(*b*)
British Empire	71,747	145,187	177,277	
All Sources	278,894	450,124	484,321	543,051
Exports of British Produce and Manufactures to:				
Foreign Countries	21,001	18,571	18,121	(*b*)
British Empire	12,875	17,730	26,223	
All Destinations...	33,876	36,301	44,344	56,928
B.—PERCENTAGES.				
Net Imports retained from:—	Per Cent.	Per Cent.	Per Cent.	Per Cent.
Foreign Countries	74·3	67·7	63·4 (67·3)	(*b*)
British Empire	25·7	32·3	36·6 (32·7)	
All Sources	100·0	100·0	100·0	
Exports of British Produce and Manufactures to:				
Foreign Countries	62·0	51·2	40·9 (49·6)	
British Empire	38·0	48·8	59·1 (50·4)	
All Destinations...	100·0	100·0	100·0	

(*a*) Provisional estimate. Similar particulars cannot be given for Classes I, II and III.

(*b*) Particulars not available.

(*c*) In the absence of the requisite detailed particulars, the percentages for 1923 may be provisionally used.

(C) *Class II.—Raw Materials and Articles Wholly or Mainly Unmanufactured.*

	1913.	1922.	1923.	1924.
A.—VALUES.	£1,000's.	£1,000's.	£1,000's.	£1,000's.
Net Imports retained from :				
Foreign Countries	154,323	174,680	196,415	(b)
British Empire	51,917	68,595	61,755	
All Sources	206,240	243,275	258,170	324,267
Exports of British Produce and Manufactures to :				
Foreign Countries	62,778	95,225	123,014	(b)
British Empire	3,395	6,740	7,795	
All Destinations...	66,173	101,965	130,809	106,489
B.—PERCENTAGES.				
Net Imports retained from :	Per Cent.	Per Cent.	Per Cent.	Per Cent.
Foreign Countries	74·8	71·8	76·1 (76·7)	
British Empire	25·2	28·2	23·9 (23·3)	
All Sources	100·0	100·0	100·0	
Exports of British Produce and Manufactures to :				(b)
Foreign Countries	94·9	93·4	94·0 (95·8)	
British Empire	5·1	6·6	6·0 (4·2)	
All Destinations...	100·0	100·0	100·0	

(D) *Class III.—Articles Wholly or Mainly Manufactured.*

A.—VALUES.	£1,000's.	£1,000's.	£1,000's.	£1,000's.
Net Imports retained from :				
Foreign Countries	160,175	185,676	208,341	(b)
British Empire	11,359	17,252	21,514	
All Sources	171,534	202,928	229,855	266,011
Exports of British Produce and Manufactures to :				
Foreign Countries	238,997	328,901	319,613	(b)
British Empire	174,823	239,623	260,344	
All Destinations...	413,820	568,524	579,957	618,271
B.—PERCENTAGES.				
Net Imports retained from :	Per Cent.	Per Cent.	Per Cent.	Per Cent.
Foreign Countries	93·4	91·5	90·6 (91·2)	
British Empire	6·6	8·5	9·4 (8·8)	
All Sources	100·0	100·0	100·0	
Exports of British Produce and Manufactures to :				(b)
Foreign Countries	57·8	57·9	55·1 (56·5)	
British Empire	42·2	42·1	44·9 (43·5)	
All Destinations...	100·0	100·0	100·0	

(b) Particulars not available.

Note.—In the foregoing Table, Mandated Territories and Anglo-Egyptian Sudan have been treated as British.

TABLE 3 (*continued*).

EXTERNAL TRADE OF THE UNITED KINGDOM.

II.—Distribution by Principal Countries.

The following tables show the value and percentage of United Kingdom trade with each of the principal overseas countries :—

Table A.—*Exports* of British produce and manufactures :—
(i) Values } Foreign countries.
(ii) Percentages } Countries of the Empire.

Table B.—Net *imports* :—
(i) Values } Foreign countries.
(ii) Percentages } Countries of the Empire.

A.—*Exports of British Produce and Manufacture.*

(Values—Foreign countries.)

Country to which consigned.	Value.						
	1910.	1911.	1912.	1913.	1922.	1923.	1924.
Europe :	£1,000.	£1,000.	£1,000.	£1,000.	£1,000.	£1,000.	£1,000.
Russia	12,253	13,512	13,738	18,103	3,641	2,493	3,821
Succession States ...	—	—	—	—	7,459	9,269	11,211
Sweden	6,698	6,347	7,137	8,220	12,312	13,789	13,874
Norway	4,033	4,850	5,566	6,147	11,518	8,612	8,726
Denmark	5,426	5,304	5,589	5,792	12,442	12,788	13,779
Germany	37,021	39,284	40,363	40,677	32,111	42,570	42,645
Netherlands ...	12,695	13,112	14,282	15,429	34,558	29,417	25,116
Belgium	10,887	11,373	12,193	13,240	25,032	25,211	22,644
France	22,463	24,283	25,586	28,933	48,538	49,258	41,778
Switzerland ...	3,371	3,934	4,035	4,212	9,896	7,286	11,298
Portugal and Azores	2,832	2,860	3,091	3,320	4,272	4,861	4,596
Spain	4,893	5,497	6,887	7,852	11,960	10,536	10,481
Italy	12,531	13,212	14,008	14,610	18,668	19,418	17,675
Greece and Crete ...	1,613	1,773	2,645	2,594	3,798	3,844	5,892
Turkey in Europe...	3,499	3,551	3,199	2,415	3,408	3,125	3,316
Rest of Europe ...	7,033	8,823	9,407	7,149	6,561	7,720	9,704
Total Europe ...	147,248	157,715	167,726	175,693	246,174	250,197	246,556
Africa :							
Egypt	8,717	10,300	9,448	9,806	15,367	15,019	15,123
Algeria	842	924	987	1,341	1,778	2,114	2,039
Tunis	444	490	524	476	757	514	377
French West Africa	1,448	1,307	1,260	1,479	1,831	2,382	2,613
Belgian Congo ...	142	257	367	289	593	430	473
Morocco	859	1,178	1,718	1,277	2,318	1,699	2,393
Canaries	1,339	1,404	1,746	1,671	1,883	2,104	2,040
Portuguese East Africa.	2,190	1,624	1,717	1,726	1,858	1,895	2,088
Rest of Africa ...	2,397	2,090	2,179	2,102	2,268	2,663	4,057*
Total Africa ...	18,378	19,574	19,946	20,167	28,653	28,820	31,203

* Including Anglo-Egyptian Sudan.

(Values.—Foreign Countries—*continued.*)

Country to which consigned.	Value.						
	1910.	1911.	1912.	1913.	1922.	1923.	1924.
Asia :	£1,000.	£1,000.	£1,000.	£1,000.	£1,000	£1,000.	£1,000.
Turkey in Asia ...	5,071	5,845	4,841	5,291	275	819	897
Syria	—	—	—	—	2,151	1,979	1,911
Persia	745	829	878	725	1,693	1,746	1,881
Dutch East Indies...	4,076	5,460	6,123	7,246	9,572	9,012	9,065
Siam	668	1,038	1,086	1,352	2,242	1,670	1,843
China	9,172	12,132	10,780	14,845	22,978	18,609	20,354
Japan	10,122	11,869	12,229	14,530	24,187	26,326	26,798
Rest of Asia ...	1,630	1,640	1,748	1,730	2,167	1,388	6,205*
Total Asia ...	31,484	38,813	37,685	45,719	65,265	61,549	68,954
America, North and Central, and West Indies:							
United States ...	31,447	27,519	30,066	29,295	55,542	59,619	53,192
Mexico	2,400	2,300	2,508	2,233	2,216	2,750	2,444
Central American Republics.	943	1,514	1,353	1,277	1,192	1,492	2,503
Cuba	1,919	2,240	2,553	2,214	1,383	2,934	3,200
Rest of America, North, etc.	657	688	588	589	922	1,624	1,584
Total America, North and Central, and West Indies.	37,366	34,261	37,068	35,608	61,255	68,419	62,923
America, South:							
Brazil	16,427	11,938	12,658	12,465	10,900	10,998	13,679
Argentina	19,097	18,602	20,550	22,641	22,669	28,165	27,194
Uruguay	2,941	2,886	2,917	2,916	2,541	3,172	3,214
Peru	1,315	1,392	1,409	1,488	1,727	2,571	2,739
Chili	5,480	6,139	6,159	6,011	5,418	6,677	5,359
Columbia	1,197	1,086	1,434	1,693	2,260	2,732	2,698
Bolivia	240	325	330	360	411	544	500
Rest of South America.	1,794	2,389	2,140	1,979	1,950	2,724	3,274
Total South America.	48,491	44,757	47,597	49,553	47,876	57,583	58,657
Polynesia, etc.:							
Total	115	155	108	203	82	65	102

* Including mandated territories.

(Exports.—Values.—Countries of the Empire.)

Country to which consigned.	Value.						
	1910.	1911.	1912.	1913.	1922.	1923.	1924.
(1) *Self-Governing Dominions:*	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000
Canada	19,645	19,715	23,531	23,795	25,189	27,566	28,150
Newfoundland ...	962	594	738	881	511	677	1,964
Australia ...	27,652	30,881	34,841	34,471	60,254	57,707	60,760
New Zealand ...	8,653	9,809	10,390	10,838	15,997	20,695	20,319
Union of South Africa	19,452	20,180	21,421	22,185	24,307	27,786	30,266
Irish Free State*	—	—	—	—	—	24,639	42,372
Total Self Governing Dominions.	76,364	81,179	90,921	92,170	126,258	159,070	183,831
(2) *India*	45,999	52,246	57,626	70,273	92,105	86,120	90,578
(3) *Colonies, Possessions and Protectorates:*							
In Europe ...	2,691	2,758	2,975	3,285	5,893	5,396	5,668
West Africa ...	5,252	5,424	6,157	6,604	11,695	11,521	10,494
Rest of Africa ...	2,499	2,398	2,656	2,842	5,389	6,662	6,110
Straits Settlements and Federated Malay States.	4,572	5,016	5,911	7,175	7,476	8,619	9,433
Ceylon	2,322	2,527	2,861	4,185	3,572	3,768	4,342
Hong Kong ...	3,618	2,789	3,531	4,354	6,165	6,642	8,557
Rest of Asia ...	496	575	671	750	5,664	5,532	1,084
West Indies, British Guiana, Honduras, etc.	3,266	3,666	3,518	3,191	4,559	5,108	6,438
Polynesia, etc. ...	224	266	266	482	1,426	2,223	435
Total Colonies, Possessions and Protectorates.	24,940	25,419	28,546	32,868	51,839	55,471	52,561

* From 1st April, 1923.

(Exports.—Percentages.—Foreign Countries.)

Country to which consigned.	Proportion of Total.						
	1910.	1911.	1912.	1913.	1922.	1923.	1924.
Europe :	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Russia	2·85	2·97	2·82	3·45	0·51	0·32	0·48
Succession States ...	—	—	—	—	1·04	1·21	1·41
Sweden	1·56	1·40	1·47	1·57	1·71	1·80	1·74
Norway	0·94	1·07	1·14	1·17	1·60	1·12	1·10
Denmark	1·26	1·17	1·15	1·10	1·73	1·67	1·73
Germany	8·60	8·65	8·28	7·74	4·46	5·55	5·36
Netherlands ...	2·95	2·89	2·93	2·94	4·80	3·83	3·16
Belgium	2·53	2·50	2·50	2·52	3·48	3·29	2·85
France	5·22	5·35	5·25	5·51	6·75	6·42	5·25
Switzerland ...	0·78	0·87	0·83	0·80	1·38	0·95	1·42
Portugal and Azores	0·65	0·63	0·64	0·63	0·59	0·63	0·58
Spain	1·14	1·21	1·41	1·50	1·66	1·37	1·32
Italy	2·91	2·91	2·88	2·78	2·59	2·53	2·22
Greece and Crete ...	0·38	0·39	0·54	0·49	0·53	0·50	0·74
Turkey in Europe	0·81	0·78	0·66	0·46	0·47	0·41	0·42
Rest of Europe ...	1·63	1·94	1·93	1·36	0·92	1·01	1·22
Total Europe ...	34·21	34·73	34·43	34·02	34·22	32·61	31·00
Africa :							
Egypt	2·03	2·29	1·94	1·87	2·14	1·96	1·90
Algeria	0·20	0·20	0·21	0·26	0·25	0·27	0·25
Tunis	0·10	0·10	0·11	0·09	0·11	0·07	0·05
French West Africa	0·33	0·29	0·26	0·28	0·25	0·30	0·33
Belgian Congo ...	0·03	0·05	0·08	0·05	0·08	0·06	0·06
Morocco	0·20	0·26	0·35	0·24	0·32	0·22	0·30
Canaries	0·31	0·31	0·36	0·32	0·26	0·27	0·26
Portuguese East Africa.	0·51	0·35	0·35	0·33	0·26	0·25	0·26
Rest of Africa ...	0·56	0·46	0·43	0·40	0·31	0·35	0·51
Total Africa ...	4·27	4·31	4·09	3·84	3·98	3·75	3·92
Asia :							
Turkey in Asia ...	1·18	1·29	0·99	1·01	0·04	0·11	0·11
Syria	—	—	—	—	0·30	0·26	0·24
Persia	0·17	0·18	0·18	0·14	0·24	0·23	0·24
Dutch East Indies	0·95	1·20	1·26	1·38	1·33	1·17	1·14
Siam	0·15	0·23	0·22	0·26	0·31	0·22	0·23
China	2·13	2·67	2·21	2·82	3·19	2·42	2·56
Japan	2·35	2·62	2·51	2·77	3·36	3·43	3·37
Rest of Asia ...	0·38	0·36	0·36	0·33	0·30	0·18	0·78
Total Asia ...	7·31	8·55	7·73	8·71	9·07	8·02	8·67

(Exports.—Percentages.—Foreign Countries)—*continued.*

Country to which consigned.	Proportion of Total.						
	1910.	1911.	1912.	1913.	1922.	1923.	1924.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
America, North and Central, and West Indies:							
United States ...	7·30	6·06	6·17	5·58	7·72	7·77	6·68
Mexico	0·56	0·51	0·52	0·43	0·31	0·36	0·31
Central American Republics.	0·22	0·34	0·28	0·24	0·16	0·20	0·32
Cuba	0·45	0·49	0·52	0·42	0·19	0·38	0·40
Rest of America, North, etc.	0·15	0·15	0·12	0·11	0·13	0·21	0·20
Total America, North and Central, and West Indies.	8·68	7·55	7·61	6·78	8·51	8·92	7·91
America, South:							
Brazil	3·82	2·63	2·60	2·37	1·52	1·43	1·72
Argentina	4·44	4·10	4·22	4·31	3·15	3·67	3·42
Uruguay	0·68	0·63	0·60	0·56	0·35	0·41	0·41
Peru	0·30	0·31	0·29	0·28	0·24	0·34	0·35
Chili	1·27	1·35	1·26	1·14	0·75	0·87	0·67
Columbia	0·28	0·24	0·29	0·32	0·32	0·36	0·34
Bolivia	0·06	0·07	0·07	0·07	0·06	0·07	0·06
Rest of South America.	0·42	0·52	0·44	0·38	0·27	0·35	0·41
Total South America.	11·27	9·85	9·77	9·43	6·66	7·50	7·38
Polynesia, etc.:							
Total	0·03	0·03	0·02	0·04	0·01	0·01	0·01

(Percentages.—Countries of the Empire.)

Country to which consigned.	Proportion of Total.						
	1910.	1911.	1912.	1913.	1922.	1923.	1924.
(1) *Self-Governing Dominions:*	Per cent.	Per cent	Per cent	Per cent	Per cent.	Per cent.	Per cent.
Canada	4·56	4·34	4·83	4·53	3·50	3·59	3·54
Newfoundland ...	0·22	0·13	0·15	0·17	0·07	0·09	0·25
Australia ...	6·43	6·81	7·15	6·56	8·38	7·52	7·64
New Zealand ...	2·01	2·16	2·13	2·06	2·22	2·70	2·55
Union of South Africa.	4·52	4·45	4·40	4·22	3·38	3·62	3·80
Irish Free State*	—	—	—	—	—	3·22	5·33
Total Self Governing Dominions.	17·74	17·89	18·66	17·54	17·55	20·74	23·11
(2) *India*	10·69	11·50	11·83	13·38	12·80	11·22	11·39
(3) *Colonies, Possessions and Protectorates:*							
In Europe ...	0·63	0·61	0·61	0·62	0·82	0·70	0·71
West Africa ...	1·22	1·19	1·27	1·26	1·62	1·50	1·32
Rest of Africa ...	0·58	0·53	0·55	0·54	0·75	0·87	0·77
Straits Settlements and Federated Malay States.	1·06	1·10	1·21	1·37	1·04	1·12	1·19
Ceylon	0·54	0·55	0·59	0·80	0·49	0·49	0·54
Hong Kong ...	0·84	0·61	0·72	0·83	0·86	0·87	1·08
Rest of Asia ...	0·12	0·13	0·14	0·14	0·79	0·72	0·14
West Indies, British Guiana, Honduras, etc.	0·76	0·81	0·72	0·61	0·63	0·67	0·81
Polynesia, etc. ...	0·05	0·06	0·05	0·09	0·20	0·29	0·05
Total Colonies, Possessions and Protectorates.	5·80	5·59	5·86	6·26	7·20	7·23	6·61

* From 1st April, 1923.

B.—*Net Imports.*

[*Note.*—Particulars showing the distribution of net imports in 1924 are not yet available.]

(Values.—Foreign Countries.)

Country whence consigned.	Value.					
	1910.	1911.	1912.	1913.	1922.	1923.
	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000
Europe:						
Russia	42,097	41,680	38,091	38,172	6,824	5,469
Succession States...	—	—	—	—	18,089	26,373
Sweden	11,440	11,486	12,740	13,753	18,974	21,339
Norway	5,951	5,645	6,270	6,793	10,342	10,894
Denmark	19,248	20,300	21,800	23,508	39,098	45,913
Germany	58,105	61,278	65,841	76,183	25,946	34,051
Netherlands ...	17,979	18,168	20,846	22,935	33,585	36,496
Belgium	18,375	20,014	22,772	22,590	23,159	26,930
France	38,519	36,378	40,108	40,810	42,745	52,308
Switzerland ...	7,943	8,175	8,587	9,197	18,265	16,767
Portugal and Azores	2,652	2,382	2,336	2,534	4,288	3,673
Spain	13,042	12,683	13,557	13,377	17,914	18,505
Italy	5,757	6,164	7,425	7,345	10,303	13,457
Greece and Crete..	2,281	2,235	2,119	2,163	4,097	4,477
Turkey in Europe	1,227	1,007	1,152	931	1,091	961
Rest of Europe ...	10,730	13,594	10,423	9,487	9,577	14,410
Total Europe	255,346	261,189	274,067	289,778	284,297	331,963
Africa:						
Egypt	16,412	16,369	19,608	16,135	27,927	29,747
Algeria	1,106	1,339	1,392	1,307	1,689	2,153
Tunis	530	916	697	858	639	1,080
French West Africa	664	586	646	676	1,048	1,678
Belgian Congo ...	(—)9*	(—)38*	(—)46*	(—)42*	116	171
Morocco	335	560	467	189	494	409
Canaries	1,333	1,387	1,277	1,473	4,239	3,500
Portuguese East Africa.	82	137	170	298	1,490	1,686
Rest of Africa ...	649	554	614	759	424	626
Total Africa ...	21,102	21,810	24,825	21,653	38,066	41,050
Asia:						
Turkey in Asia ...	2,746	3,842	4,455	3,713	65	1,644
Syria	—	—	—	—	118	194
Persia	1	230	479	(—)122*	5,836	5,028
Dutch East Indies	3,749	5,041	6,180	3,368	8,892	12,179
Siam	661	319	246	407	(—)484*	204
China	3,783	3,020	3,176	2,904	6,583	8,623
Japan	3,654	2,884	3,419	3,818	7,464	5,906
Rest of Asia ...	1,909	1,828	2,213	2,485	3,590	2,056
Total Asia ...	16,503	17,164	20,168	16,573	32,064	35,834

* Re-exports in excess of imports in this year.

(Values.—Foreign Countries)—*continued.*

Country whence consigned.	Value.					
	1910.	1911.	1912.	1913.	1922.	1923.
	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000
America, North and Central, and West Indies:						
United States ...	106,282	110,782	123,401	130,331	211,827	197,122
Mexico	2,150	2,089	2,288	1,700	8,348	5,949
Central American Republics.	702	962	1,258	1,178	2,142	2,226
Cuba	2,436	1,218	2,411	3,582	10,524	8,518
Rest of America, North, etc.	1,344	595	891	321	895	1,467
Total America, North and Central, and West Indies.	112,914	115,646	130,249	137,112	233,736	215,282
America, South:						
Brazil	8,084	2,875	2,300	4,586	6,670	3,259
Argentine... ...	27,803	26,205	39,352	40,726	53,918	62,329
Uruguay	1,619	1,312	2,132	2,519	4,566	4,672
Peru	3,040	2,534	2,841	2,861	7,050	8,281
Chile	4,464	3,505	4,124	4,267	3,056	4,638
Colombia	670	726	852	668	1,706	1,277
Bolivia	1,151	1,232	1,247	1,876	1,683	3,731
Rest of South America.	1,155	1,222	973	1,052	495	1,104
Total South America.	47,986	39,617	53,821	58,555	79,144	89,291
Polynesia, etc., Total	121	153	187	414	842	1,072

(Imports.—Values.—Countries of the Empire.)

Country whence consigned.	Value.					
	1910.	1911.	1912.	1913.	1922.	1923.
	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000
(1) *Self-Governing Dominions*:						
Canada	24,696	23,596	25,694	29,421	52,959	51,133
Newfoundland ...	551	667	795	917	1,818	1,986
Australia ...	25,334	26,470	23,787	26,087	45,265	27,375
New Zealand ...	17,122	14,548	16,094	16,271	43,811	37,523
Union of South Africa.	4,560	4,884	5,143	6,020	9,430	9,467
Irish Free States *	—	—	—	—	—	32,307
Total Self-Governing Dominions.	72,263	70,165	71,513	78,716	153,283	159,791
(2) *India*:	31,793	34,508	40,419	36,118	38,193	56,323
(3) *Colonies, Possessions and Protectorates*:						
In West Africa ...	1,286	1,665	1,843	2,971	8,192	9,903
Europe	1,638	1,774	1,825	2,009	3,726	3,291
Rest of Africa ...	1,123	1,572	1,349	1,179	7,086	10,286
Straits Settlements and Federated Malay States.	5,639	4,704	5,854	5,930	4,080	2,255
Ceylon	3,031	3,833	3,282	4,402	8,974	10,753
Hong Kong ...	488	629	748	594	512	795
Rest of Asia ...	317	327	503	338	1,917	3,047
West Indies, British Guiana, Honduras, etc.	2,676	2,142	1,924	2,452	4,748	6,607
Polynesia, etc.	270	500	326	374	544	139
Total Colonies, Possessions and Protectorates.	16,468	17,146	17,654	20,249	39,779	47,076

* From 1st April, 1923

(Imports.—Percentages.—Foreign Countries.)

Country whence consigned.	Proportion of Total.					
	1910.	1911.	1912.	1913.	1922.	1923.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Europe:						
Russia	7·33	7·21	6·02	5·79	0·76	0·56
Succession States...	—	—	—	—	2·01	2·70
Sweden	1·99	2·00	2·01	2·09	2·11	2·18
Norway	1·04	0·98	0·99	1·03	1·15	1·11
Denmark	3·36	3·51	3·45	3·57	4·35	4·70
Germany	10·11	10·60	10·40	11·56	2·89	3·48
Netherlands ...	3·13	3·15	3·29	3·48	3·73	3·73
Belgium	3·20	3·47	3·59	3·43	2·56	2·75
France	6·70	6·30	6·34	6·19	4·75	5·35
Switzerland ...	1·38	1·42	1·36	1·39	2·03	1·71
Portugal and Azores	0·46	0·41	0·37	0·38	0·48	0·38
Spain	2·27	2·20	2·14	2·03	1·99	1·89
Italy	1·00	1·07	1·17	1·11	1·15	1·38
Greece and Crete ...	0·40	0·39	0·34	0·33	0·46	0·46
Turkey in Europe	0·21	0·17	0·18	0·14	0·12	0·09
Rest of Europe ...	1·87	2·35	1·65	1·44	1·07	1·48
Total Europe ...	44·45	45·23	43·30	43·96	31·61	33·95
Africa:						
Egypt	2·86	2·84	3·10	2·45	3·10	3·04
Algeria	0·19	0·23	0·22	0·20	0·19	0·22
Tunis	0·09	0·16	0·11	0·13	0·07	0·11
French West Africa	0·12	0·10	0·10	0·10	0·12	0·17
Belgian Congo ...	0·00	(—)0·01*	(—)0·01*	(—)0·01*	0·01	0·02
Morocco	0·06	0·10	0·07	0·02	0·06	0·05
Canaries	0·23	0·24	0·20	0·23	0·46	0·36
Portuguese East Africa.	0·02	0·02	0·03	0·05	0·17	0·17
Rest of Africa ...	0·11	0·10	0·10	0·12	0·05	0·06
Total Africa ...	3·68	3·78	3·92	3·29	4·23	4·20
Asia:						
Turkey in Asia ...	0·48	0·67	0·70	0·57	0·01	0·17
Syria	—	—	—	—	0·01	0·02
Persia	0·00	0·04	0·08	(—)0·02*	0·65	0·52
Dutch East Indies	0·65	0·87	0·98	0·51	0·99	1·25
Siam	0·11	0·05	0·04	0·06	(—)0·06*	0·02
China	0·66	0·52	0·50	0·44	0·73	0·88
Japan	0·64	0·50	0·54	0·58	0·83	0·60
Rest of Asia ...	0·33	0·32	0·35	0·38	0·40	0·21
Total Asia ...	2·87	2·97	3·19	2·52	3·56	3·67

(Imports.—Percentages.—Foreign Countries)—*continued*.

Country whence consigned.	Proportion of Total.					
	1910.	1911.	1912.	1913.	1922.	1923.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
America, North and Central, and West Indies :						
United States ...	18·50	19·19	19·50	19·77	23·55	20·16
Mexico	0·38	0·36	0·36	0·26	0·93	0·61
Central American Republics.	0·12	0·17	0·20	0·18	0·24	0·23
Cuba	0·42	0·21	0·38	0·54	1·17	0·87
Rest of America, North, &c.	0·23	0·10	0·14	0·05	0·10	0·15
Total America, North and Central, and West Indies.	19·65	20·03	20·58	20·80	25·99	22·02
America, South :						
Brazil	1·41	0·50	0·36	0·70	0·74	0·33
Argentine... ...	4·84	4·54	6·22	6·18	5·99	6·38
Uruguay	0·28	0·23	0·34	0·38	0·51	0·48
Peru	0·53	0·44	0·45	0·43	0·78	0·85
Chile	0·78	0·61	0·65	0·65	0·34	0·47
Colombia	0·11	0·12	0·13	0·10	0·19	0·13
Bolivia	0·20	0·21	0·20	0·28	0·19	0·38
Rest of South America.	0·20	0·21	0·15	0·16	0·06	0·11
Total South America.	8·35	6·86	8·50	8·88	8·80	9·13
Polynesia, &c., Total	0·02	0·03	0·03	0·06	0·10	0·11

* Re-exports in excess of imports in this year.

(Percentages.—Countries of the Empire.)

Country whence consigned.	Proportion of Total.					
	1910.	1911.	1912.	1913.	1922.	1923.
(1) *Self-Governing Dominions.*	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Canada	4·30	4·09	4·06	4·46	5·89	5·23
Newfoundland ...	0·10	0·11	0·13	0·14	0·20	0·20
Australia	4·41	4·58	3·76	3·96	5·03	2·80
New Zealand ...	2·98	2·52	2·54	2·47	4·87	3·84
Union of South Africa.	0·79	0·85	0·81	0·91	1·05	0·97
Irish Free State*	—	—	—	—	—	3·30
Total Self-Governing Dominions.	12·58	12·15	11·30	11·94	17·04	16·34
(2) *India*	5·53	5·98	6·39	5·48	4·25	5·76
(3) *Colonies, Possessions and Protectorates.*						
In West Africa ...	0·22	0·29	0·29	0·45	0·91	1·01
Europe	0·29	0·31	0·29	0·30	0·41	0·34
Rest of Africa ...	0·20	0·27	0·21	0·18	0·79	1·06
Straits Settlements and Federated Malay States.	0·98	0·82	0·93	0·90	0·45	0·23
Ceylon	0·53	0·66	0·52	0·67	1·00	1·10
Hong Kong ...	0·08	0·11	0·12	0·09	0·06	0·08
Rest of Asia ...	0·05	0·06	0·08	0·05	0·21	0·31
West Indies, British Guiana, Honduras, etc.	0·47	0·37	0·30	0·37	0·53	0·68
Polynesia, etc. ...	0·05	0·08	0·05	0·06	0·06	0·01
Total—Colonies, Possessions and Protectorates.	2·87	2·97	2·79	3·07	4·42	4·82

* From 1st April, 1923.

Note.—At the time Table 3 was compiled, the revised Annual Returns of trade for 1923 were not available. Hence the values given in the table for that year (as also for 1924) are provisional figures on which also the corresponding percentages were based. In the tables of Trade Statistics given at the beginning of each Survey in Chapter I, the corrected figures of U.K. imports and exports as given in the Annual Returns for 1923, have been inserted.

As between the details given in Part II of the Table, and the totals in Part I, it should be pointed out that "Whale and Deep Sea Fisheries" have sometimes been regarded as a "foreign country" and sometimes as a "British Possession."

TABLE 3A.

EXTERNAL TRADE OF THE IRISH FREE STATE.

I.—*Imports to and exports from Great Britain and Northern Ireland consigned from and to the Irish Free State during the years* 1923 *(April to December only) and* 1924, *so far as particulars are available.*

(A) *Total Trade—All Classes.*

——	1923. (April–Dec. only).	1924.
	£1,000's.	£1,000's.
A.—VALUES.		
Net imports therefrom retained	32,307	50,580 (*a*)
British and North Irish exports thereto...	24,639	42,372 (*a*)
B.—PERCENTAGES.	Per cent.	Per cent.
Net imports therefrom retained	3·3	4·4
British and North Irish exports thereto...	3·2	5·3

(B) *Class I.—Food, Drink and Tobacco.*

A.—VALUES.	£1,000's.	
Net imports therefrom retained	27,795	(*b*)
British and North Irish exports thereto...	7,807	
B.—PERCENTAGES.	Per cent.	
Net imports therefrom retained	5·7	
British and North Irish exports thereto...	17·6	

(C) *Class II.—Raw Materials and Articles Wholly or Mainly Unmanufactured.*

A.—VALUES.	£1,000's.	
Net imports therefrom retained	1,264	(*b*)
British and North Irish exports thereto...	2,345	
B.—PERCENTAGES.	Per cent.	
Net imports therefrom retained	0·5	
British and North Irish exports thereto...	1·8	

(D) *Class III.—Articles Wholly or Mainly Manufactured.*

A.—VALUES.	£1,000's.	
Net imports therefrom retained	1,486	(*b*)
British and North Irish exports thereto...	14,267	
B.—PERCENTAGES.	Per cent.	
Net imports therefrom retained	0·6	
British and North Irish exports thereto...	2·5	

(*a*) Provisional estimate. Similar particulars cannot be given for Classes I, II and III.

(*b*) Particulars not available.

II.—Trade of the Irish Free State with Countries outside the British Isles for the year 1924.

The imports into and exports from the Irish Free State in trade with all countries other than Great Britain and Northern Ireland were valued in 1924 at the amounts shown below. Such imports and exports were, prior to 1st April, 1923, included in the aggregates of United Kingdom trade.

Class.	Imports.	Exports of Irish Free State Produce and Manufacture.	Re-exports.
	£	£	£
All classes	12,715,693	895,666	25,124
Class I	9,600,430	306,895	14,842
Class II	928,572	216,482	273
Class III	2,181,401	108,986	10,009

Similar information covering the period April to December, 1923, is not available.

TABLE 4.

EXTERNAL TRADE OF THE UNITED KINGDOM.

UNITED KINGDOM TRADE (IMPORTS AND EXPORTS) WITH EACH PRINCIPAL COUNTRY, AS PERCENTAGE OF TOTAL EXPORT OR IMPORT TRADE (1) OF THAT COUNTRY, (2) OF THE UNITED KINGDOM, SO FAR AS THE PARTICULARS ARE AVAILABLE.

(1913 and 1923.)

Explanatory Notes.

(1) In regard to columns "B" and "D," the percentages shown for 1923 are not strictly comparable with those for 1913 owing to the creation of the Irish Free State.

The particulars for the year 1923, as furnished in the Trade Accounts for the United Kingdom, relate, as and from the 1st April of that year, to the trade of Great Britain and Northern Ireland only, and in consequence include for the last 9 months of 1923 the trade of Great Britain and Northern Ireland with the Irish Free State, the direct foreign trade of the Irish Free State during the same period being excluded. The figures in Table 3, pages 640-54 are on this basis. The present Table gives

percentages for 1923 (in columns " B " and " D ") which are based on the omission of the trade between the United Kingdom and the Irish Free State. To make the percentages fully comparable with 1913, it would be necessary to add the direct trade with other countries carried on by the Irish Free State. This is not practicable, but it would in fact make very little alteration in the figures.

In regard to columns " A " and " C," see note (5) (b) on page 28.

(2) Owing to territorial changes arising out of the war of 1914-1918, in a number of cases the particulars for 1923 are not comparable with those for 1913. The principal changes and the countries affected in 1923 are as follows :—

Russia no longer includes Finland, Esthonia, Latvia, Lithuania, the part of Poland formerly Russian, and Bessarabia

Denmark includes a part of Slesvig, formerly German.

Germany no longer includes Memel, Dantzig, the part of Poland formerly German, part of Slesvig (now Danish), Luxemburg and Alsace-Lorraine (now French).

France includes Alsace-Lorraine (formerly German).

Austria and *Hungary* as newly constituted are shown separately. Fiume, Liechtenstein, Czechoslovakia, and part of the S.H.S. Kingdom are no longer included therein.

Roumania includes Bessarabia (formerly Russian).

Greece includes the parts of " Turkey, European " ceded to her.

Turkey, European, is practically represented by Constantinople.

Turkey, Asiatic, no longer includes Syria, Palestine, Armenia, and Iraq.

Union of South Africa includes the South-West Africa Protectorate (formerly German).

Gold Coast includes British Togoland (formerly German).

Nigeria includes British Cameroons (formerly German).

Tanganyika Territory—formerly included in German East Africa.

(3) In comparing the pre-war with the post-war figures, it should be borne in mind that some countries include in the imports recorded as from the United Kingdom not only goods of United Kingdom production, but also goods imported into the United Kingdom and exported thence to the country concerned. It is also to be noted that in certain cases the manner of attributing goods to individual countries appears to have undergone some change.

Column A.—Imports from United Kingdom shown as a percentage of Total Import Trade of each Importing Country.
Column B.—Exports to each Country from United Kingdom shown as a percentage of Total Export Trade (U.K. produce and manufactures) of the United Kingdom.
Column C.—Exports to the United Kingdom shown as a percentage of the Total Export Trade of each Exporting Country.
Column D.—Net Imports into the United Kingdom from each Country shown as a percentage of the Total Net Import Trade of the United Kingdom.

Country.	1913. (Except where otherwise stated.)		1923. (Except where otherwise stated.)		1913. (Except where otherwise stated.)		1923. (Except where otherwise stated.)	
	A.	B.	A.	B.	C.	D.	C.	D.
Group 1.—Europe, Western.								
Netherlands	8·70	2·94	15·34	3·96	22·18	3·48	27·59	3·86
Belgium	10·27	2·52	16·69	3·40	14·66	3·43	18·41	2·84
France (*a*)	13·24	5·51	16·17	6·63	21·13	6·19	20·22	5·53
Switzerland	5·87	0·80	8·11	0·98	17·16	1·39	20·63	1·77
Italy	16·23	2·78	12·73	2·61	10·37	1·11	10·85	1·43
Spain	17·29	1·50	(*1920*) *14·22*	1·42	19·38	2·03	(*1920*) *20·05*	1·95
Portugal and Azores	26·40	0·62	(*1920*) *37·21*	0·65	21·54	0·37	(*1920*) *18·10*	0·38
Group 2.—Europe, Central.								
Germany (*a*)	8·13	7·74	(*1924*) *9·06*	5·73	14·24	11·56	(*1924*) *9·36*	3·60
Austria (*a*)	6·38	0·85	2·35	0·15	9·74	1·10	4·24	0·12
Hungary (*a*)			1·61	0·02			2·36	0·06
Czecho-Slovakia	(*a*)	(*a*)	3·29	0·13	(*a*)	(*a*)	9·70	0·84
Group 3.—Europe, Northern.								
Denmark (*a*)	15·73	1·10	20·05	1·73	56·89	3·57	68·68	4·86
Norway	24·75	1·17	21·88	1·16	24·31	1·03	30·56	1·15
Sweden	24·43	1·57	21·96	1·86	29·10	2·09	31·39	2·25
Finland	12·24		18·44	0·53	27·00		41·46	1·39
Baltic States :—								
Esthonia			19·73	0·12			34·10	0·18
Latvia		3·45	17·04	0·21		5·79	1·75	0·58
Lithuania	12·59		5·27	0·03	17·62		26·90	0·08
Poland (*a*)			8·11	0·36			5·8	0·56
Soviet Russia (*a*)			20·95	0·33			16·28	0·58

(*a*) *See* Note (2) on page 657.

Column A.—Imports from United Kingdom shown as a percentage of Total Import Trade of each Importing Country.
Column B.—Exports to each Country from United Kingdom shown as a percentage of Total Export Trade (U.K. produce and manufactures) of the United Kingdom.
Column C.—Exports to the United Kingdom shown as a percentage of the Total Export Trade of each Exporting Country.
Column D.—Net Imports into the United Kingdom from each Country shown as a percentage of the Total Net Import Trade of the United Kingdom.

Country.	1913. (Except where otherwise stated.)		1923. (Except where otherwise stated.)		1913. (Except where otherwise stated.)		1923. (Except where otherwise stated.)	
	A.	B.	A.	B.	C.	D.	C.	D.
Group 4.—Europe, South Eastern.								
Roumania (*a*)	9·45	0·37	(*1922*) *8·90*	0·37	6·69	0·30	(*1922*) *2·37*	0·24
Serb-Croat-Slovene Kingdom (*a*) ...	(*1912*) *8·02* (*e*)	0·01	9·91	0·12	(*1913*) *0·02* (*e*)	0·00	2·14	0·07
Bulgaria	8·92	0·09	15·85	0·18	8·52	0·00	0·78	0·00
Greece (*a*)	23·89	0·48	14·29	0·52	23·91	0·32	27·63	0·47
Group 5.—Near East.								
Turkey in Europe (*a*)	19·92	0·46	17·31	0·42	21·74	0·14	18·61	0·09
Turkey in Asia (*a*)				0·11				0·18
Palestine		1·01	28·33	0·07		0·57	21·68	0·08
Iraq			36·87	0·54			16·19	0·17
Syria				0·27				0·02
Persia	15·08	0·14	34·01	0·24	7·31	0·02	14·87	0·54
Group 6.—Africa, North.								
Morocco	19·21	0·24	(*1922*) *14·96*	0·23	14·12	0·02	(*1922*) *12·55*	0·04
Algeria and Tunisia	7·26	0·35	3·50	0·35	5·36	0·32	6·61	0·34
Tripoli and Cyrenaica	(*b*)	0·03	(*b*)	0·01	(*b*)	0·00	(*b*)	0·00
Egypt	31·14	1·87	32·63	2·02	43·11	2·44	48·56	3·14
Sudan	29·19		32·85	0·20	23·06		37·24	0·14

Group 7.—Africa, West and East.											
Nigeria (*a*)	70·76	0·71	77·22	0·87	51·26	0·33	67·04	0·68
Gold Coast (*a*)	70·34	0·36	67·60	0·52	52·74	0·09	22·61	0·19
Kenya	42·23	0·22	38·63	0·25	64·98	0·05	47·10	0·19
Uganda		0·01		0·02		0·04		0·02
Zanzibar	16·67	0·02	21·39	0·05	11·59	0·00	30·61	0·02
Tanganyika Territory (*a*)	6·65	0·03	29·68	0·06	4·87	0·02	21·85	0·02
Group 8.—India, Ceylon, Malaya.								
British India	65·38	13·38	59·04	11·59	23·49	5·48	24·86	5·96
Ceylon	28·96	0·80	21·96	0·51	45·54	0·67	47·28	1·14
Straits Settlements	11·44	1·11	9·27	1·04	24·69	0·70	9·10	0·54
Group 9.—Far East.								
China	16·53	2·83	13·04	2·50	4·05	0·44	5·74	0·91
French Indo-China	1·74	0·03	(*1922*) *3·02*	0·03	2·17	0·04	(*1922*) *0·48*	0·01
Japan	14·71	2·77	(*1922*) *12·29*	3·54	4·51	0·58	(*1922*) *3·33*	0·62
Siam	21·55	0·26	16·42	0·23	5·04	0·06	1·11	0·02
Netherlands East Indies	16·46	1·38	14·97	1·21	3·53	0·51	8·38	1·29
Group 10.—British Dominions and W. Indies.								
Canada	21·36	4·53	17·21	3·71	49·88	4·46	34·47	5·41
South Africa (*a*)	56·77	4·22	53·76	3·74	77·16	0·91	57·06	0·99
Australia	52·37	6·56	51·93	7·77	45·49	3·96	46·20	2·90
New Zealand	61·08	2·06	51·93	2·79	84·03	2·47	83·40	3·97
British West Indies	35·53	0·45	29·21	0·50	24·73	0·26	37·93	0·58
Group 11.								
United States of America	16·30	5·58	10·66	8·03	24·40	19·77	21·17	20·85

(*a*) *See* Note (2) on page 657. (*b*) Particulars of trade with the United Kingdom are not available. (*c*) Pre-war Serbia only.

Column A.—Imports from United Kingdom shown as a percentage of Total Import Trade of each Importing Country.
Column B.—Exports to each Country from United Kingdom shown as a percentage of Total Export Trade (U.K. produce and manufactures) of the United Kingdom.
Column C.—Exports to the United Kingdom shown as a percentage of the Total Export Trade of each Exporting Country.
Column D.—Net Imports into the United Kingdom from each Country shown as a percentage of the Total Net Import Trade of the United Kingdom.

Country.	1913. (Except where otherwise stated.)		1923. (Except where otherwise stated.)		1913. (Except where otherwise stated.)		1923. (Except where otherwise stated.)	
	A.	B.	A.	B.	C.	D.	C.	D.
Group 12.—America, South and Central.								
Argentina	31·06	4·31	22·68	3·79	24·89	6·18	24·50	6·60
Brazil	24·47	2·37	26·49	1·48	13·17	0·70	6·96	0·35
Chile	30·02	1·14	23·09	0·90	37·28	0·65	28·85	0·49
Cuba	11·47	0·42	4.83	0·39	11·19	0·54	7·69	0·90
Hayti	7·27	0·03	7·84	0·03	(*d*)	0·01	4·95	0·02
San Domingo	7·88	0·03	5·03	0·02	2·31	0·02	17·58	0·11
Mexico	13·45	0·42	(*1921*) *8·86*	0·37	10·37	0·26	(*1921*) *6·73*	0·63
Guatemala	16·40	0·07	15·37	0·05	12·85	0·01	2·42	0·00
Central American Republics :—								
Salvador	27·22	0·06	17·25	0·06	7·11	0·00	0·67	0·00
Honduras	12·66	0·02	(*1921–2*) *4·34*	0·03	2·31	0·00	(*1921–2*) *1·22*	0·08
Nicaragua	19·95	0·05	12·01	0·03	12·95	0·00	2·18	0·00
Costa Rica	14·85	0·04	15·65	0·03	41·83	0·15	38·40	0·14
Panama	22·66	0·09	10·81	0·05	1·21	0·00	3·41	0·08
Colombia	20·46	0·32	(*1919*) *14·74*	0·37	16·22	0·10	(*1919*) *3·38*	0·13
Venezuela	22·16	0·16	24·33	0·21	2·60	0·06	5·18	0·04
Peru	26·26	0·28	20·28	0·35	37·24	0·43	33·19	0·88
Ecuador	29·64	0·08	(*1922*) *28·55*	0·08	10·26	0·04	(*1922*) *6·48*	0·02
Bolivia	20·27	0·07	23·80	0·07	80·84	0·28	53·24	0·39
Paraguay	28·62	0·04	(*1921*) *20·92*	0·02	(*d*)	0·00	(*1921*) *0·11*	0·00
Uruguay	24·45	0·56	22·95(*c*)	0·42	11·20	0·38	28·37	0·50

(*c*) Eleven months, January—November only.

(*d*) Particulars of exports to United Kingdom are not available.

TABLE 5.

MOVEMENTS OF SHIPPING AT UNITED KINGDOM PORTS.

(Not including coasting trade.)

(A) *Entrances of British and of foreign vessels* (a) *with cargo and* (b) *in ballast, at ports in the United Kingdom.*

	Entered with Cargoes.			Entered in Ballast.		
	British.	Foreign.	Total.	British.	Foreign.	Total.
Average :—	Tons net.	Tons net.	Tons net.	Tons net.	Tons net.	Tons net.
1905-9 ...	28,562,842	12,210,062	40,772,904	9,908,559	12,103,468	22,012,027
1910-13 ...	30,503,298	14,241,062	44,744,360	12,325,167	16,471,510	28,796,677
Year :—						
1919... ...	22,079,612	7,491,078	29,570,690	8,040,189	12,041,430	20,081,619
1920... ...	25,506,999	10,986,320	36,493,319	7,710,401	11,514,103	19,224,504
1921... ...	25,123,899	11,999,435	37,123,334	9,404,878	8,778,924	18,183,802
1922... ...	28,473,881	14,920,714	43,394,595	15,713,717	17,137,274	32,850,991
1923* ...	33,079,445	18,012,594	51,092,039	18,313,821	20,956,933	39,270,754
1924* ...	36,856,130	18,513,610	55,369,740	15,414,638	16,269,467	31,684,105
* The figures for 1923 and 1924 include the following tonnages entered from the Irish Free State :—						
1923... ...	2,126,930	30,752	2,157,682	1,021,207	89,480	1,110,687
1924... ...	3,433,690	34,349	3,468,039	1,313,415	175,984	1,489,399

(B) *Clearances of British and of foreign vessels* (a) *with cargo and* (b) *in ballast, at ports in the United Kingdom.*

	Cleared with Cargoes.			Cleared in Ballast.		
	British.	Foreign.	Total.	British.	Foreign.	Total.
Average :—	Tons net.	Tons net.	Tons net.	Tons net.	Tons net.	Tons net.
1905-9 ...	35,375,867	19,738,097	55,113,964	3,426,983	4,837,450	8,264,433
1910-13 ...	37,709,690	23,901,933	61,611,623	5,366,071	7,032,839	12,398,910
Year :—						
1919... ...	21,962,895	12,599,212	34,562,107	8,188,771	6,350,145	14,538,916
1920... ...	23,532,459	13,193,076	36,725,535	10,472,672	10,144,494	20,617,166
1921... ...	24,282,304	12,115,137	36,397,441	9,995,947	9,385,778	19,381,725
1922... ...	36,817,495	22,864,635	59,682,130	8,566,023	9,248,066	17,814,089
1923* ...	42,139,130	28,551,848	70,690,978	9,765,020	10,080,574	19,845,594
1924* ...	41,732,088	23,566,671	65,298,759	11,653,409	11,806,111	23,459,520
* The figures for 1923 and 1924 include the following tonnages cleared to the Irish Free State :—						
1923... ...	2,745,019	26,194	2,771,213	311,013	92,874	403,887
1924... ...	4,326,798	12,633	4,339,431	276,836	96,725	373,561

Note.—Movements of shipping to and from the Irish Free State were included in the returns of Coasting Trade prior to April 1st, 1923.

TABLE 6.

INDEX NUMBERS OF SHIPPING FREIGHTS.

Year.	"Economist."	E. A. V. Angier.	Chamber of Shipping of the United Kingdom.		
			Freight Rates.		Time Charters.
	Figures reduced to percentage of the 1913 Index.		1920=100.	Relative Figures 1913=100.	1920=100.
1898...	104·79	Not calculated.	Not calculated.		Not calculated.
1899...	102·68				
1900...	115·76	123·70			
1901...	88·58	94·07			
1902...	74·77	74·07			
1903...	75·00	70·37			
1904...	75·79	68·89			
1905...	76·40	68·89			
1906...	76·82	69·63			
1907...	78·13	71·11			
1908...	67·32	60·00			
1909...	70·50	57·04			
1910...	72·61	57·78			
1911...	83·32	73·33			
1912..	112·56	112·59			
1913...	100·00	100·00	23·40	100·00	
1920...	438·52	517·78	100·0	427·4	100·0
1921...	158·40	153·33	37·59	162·4	36·34
1922...	122·02	135·56	29·73	126·9	26·59
1923...	109·69	111·85	28·38	121·4	21·62
1924...	113·44	*	29·63	126·6	23·22

* Not calculated. Lloyd's List has begun the compilation of a Freight Index based on whole cargoes carried by tramp vessels. This Index shows an average advance in 1924 of 1·94 per cent. on the average rates charged in 1923.

Notes.

"Economist" Index.

Based on 28 representative routes for tramp tonnage, divided into six groups, for each of which a separate index is calculated. The final index figure is the average of the six groups, the arithmetic mean being employed throughout and all averages being unweighted.

E. A. V. Angier's Index.

Time charter rates for steamers of all sizes trading on all routes, including coasting in United Kingdom waters. An average is made of all rates reported.

Chamber of Shipping Index.

Based on rates of freight on 21 routes for tramp tonnage. Rates in 1920 and in later years were obtained, and the percentage of the latter to the former determined for each route. The geometrical average of these percentages forms the index number.

TABLE 7.

COURSE OF WHOLESALE PRICES IN THE UNITED KINGDOM.

The following table shows the general course of wholesale prices before and since the war, as indicated by the index numbers of the Board of Trade. The percentage proportions of the index numbers for the various periods to those for 1913 are given in the table. A change in the method of compilation of the index numbers was made in 1920, and the later series is based on more comprehensive data than the earlier series.

	Period.	Food.	Materials.	All Articles.
(a)	Average 1875–9	124·8	98·1	115·7
	„ 1880–4	116·2	89·2	107·0
	„ 1885–9	93·9	76·3	87·9
	„ 1890–4	92·6	74·7	86·5
	„ 1895–9	83·3	67·9	78·0
	„ 1900–4	85·6	80·3	83·8
	„ 1905–9	89·0	85·6	87·8
	1910	92·6	94·7	93·3
	1911	94·7	91·7	93·7
	1912	101·9	92·3	98·6
	1913	100·0	100·0	100·0
(b)	1920	271·8	328·5	307·3
	1921	209·0	190·9	197·2
	1922	165·2	155·3	158·8
	1923	154·5	161·3	158·9
	1924	166·3	165·9	166·2

(*a*) Old Board of Trade Index (47 articles). Relative importance of items—Food, 330; Materials, 176.

(*b*) New Board of Trade Index (150 articles). Relative importance of items—Food, 53; Materials, 97.

TABLE 8.

THE BALANCE OF UNITED KINGDOM TRADE.

The principal elements in the balance of our international financial obligations in recent years are shown in the following table :—

——	1907.	1910.	1913.	1920.	1922.	1923.	1924.
	In million £.						
Excess of Imports of Merchandise and Bullion ...	142	159	158	343	171	203	341
Net National Shipping Income*	85	90	94	340	110	115	130
Net Income from Overseas Investments	160	187	210	200	175	150	185
Commissions	25	25	25	40	30	30	40
Other Services	10	10	10	15	10	10	15
Total "Invisible Exports" on balance	280	312	339	595	325	305	370
Income available for Investment Overseas	138	153	181	252	154	102	29
New Overseas Issues on London Market in year†	91	207	198	60	135	136	134

* Including bunker coal and oil and stores supplied to foreign ships.

† For 1913 and subsequent years the figures are taken from the Table in the Monthly Review of the Midland Bank. For 1907 and 1910 they are taken from the "Economist."

Explanatory Notes.

The method by which the above estimates are arrived at is perhaps best illustrated by the following notes which refer to the 1924 figures.

(1) The excess of imports (£341 millions) represents the difference between recorded imports (£1,280 millions) and exports (£935 millions) after allowing for the excess of exports of bullion and specie (£12 millions) and the unrecorded value of imported diamonds (about £8 millions).

(2) The comparison of the years 1923 and 1924 with preceding years is somewhat affected, but is not seriously invalidated, by the emergence of the Irish Free State as a separate unit. (See Board of Trade Journal, January 29th, 1925.)

(3) The estimate of net national income from shipping in 1924 (which of course is not the same as shipowners' profits) is somewhat uncertain. Although certain favourable factors which existed in 1923 ceased to operate in 1924, the level of freights was on the whole slightly higher than in 1923 (see Table 6, page 663); and the tonnage of British vessels unemployed was reduced during 1924. The figure for shipping income accordingly shows some increase over that for 1923.

(4) The variations in the estimated total of revenue from overseas investments are based in the main on the Income Tax returns. The income distinguishable by the Income Tax Commissioners as derived from overseas is, however, considerably less than the amounts shown in the table. Further, the latest figures of assessments to Income Tax relate to the year 1922-23. The estimates of Sir George Paish have served to indicate the relation of the total income from investments abroad to the amount of such income distinguished in the Reports of the Inland Revenue Department. £35 millions have been deducted from the estimated amount of revenue from abroad in 1924 in respect of payments of our debt to the American Government.

[*Note.*—The above table is taken from an article in the Board of Trade Journal for 29th January, 1925, where the basis of the figures is fully explained and discussed.]

TABLE 9.

WORLD TRADE, 1913 AND 1923.

BRITISH, AMERICAN AND FRENCH SHARE.

Imports (special) of Merchandise.

	Total Value.		Per Cent. of Total.	
	1913.	1923.	1913.	1923.
World Total (157 countries) ...	Million £ 4,365·3	Million £ 5,700·0	100·0	100·0
British Empire:				
United Kingdom	659·2	958·4	15·10	16·81
Other British Countries ...	518·0	788·4	11·87	13·85
Total British Empire ...	1,177·2	1,746·8	26·97	30·66
United States	361·0	829·0	8·27	14·54
France	333·9	430·5	7·65	7·55
All Other Countries	2,493·2	2,693·7	57·11	47·25

Exports (special) of Merchandise.

World Total	Million £ 4,034·8	Million £ 5,299·0	100·0	100·0
British Empire:				
United Kingdom	525·3	743·5	13·02	14·03
Other British Countries ...	494·7	853·5	12·26	16·11
Total British Empire ...	1,020·0	1,597·0	25·28	30·14
United States	503·1	894·3	12·47	16·88
France	272·8	401·8	6·76	7·58
All Other Countries	2,238·9	2,405·9	55·49	45·40

Notes.

1. Conversions of foreign currencies to sterling have been made at the averages of the quoted rates. The figures for 1923 are available for about 91 per cent. of the imports and 89 per cent. of the exports, and the balance has been estimated from the 1922 records. For better comparison with 1913, the figures of trade of the United Kingdom in 1923 have been adjusted (reduced) to apply to the British Isles as a whole, and not to Great Britain and Northern Ireland only.

2. For an explanation of the meaning of "special" imports and exports, *see* page 27.

TABLE 10.

THE SHARE OF BRITISH AND OTHER SHIPPING IN THE TRAFFIC THROUGH THE SUEZ AND PANAMA CANALS.

(A) *Suez Canal.* (" *Merchant Vessels and Mail Steamers.*")

Tonnage.

Nationality.	1910.	1911.	1912.	1913.	Average 1910–1913.	1923.	1924.
	Tons Net.	Tons Net.	Tons Net.	Tons Net.	Tons Net.	Tons Net.	Tons Net.
British ...	10,255,048	11,537,840	12,613,914	11,866,360	11,568,291	13,193,457	14,067,405
Danish ...	96,858	114,411	138,552	171,848	130,417	299,695	344,868
Dutch ...	849,237	967,606	1,239,477	1,276,597	1,083,229	2,175,234	2,487,352
French ...	825,054	813,134	794,928	924,805	839,480	1,281,223	1,495,116
German ...	2,513,290	2,763,624	2,992,618	3,320,519	2,897,513	1,213,691	1,646,872
Italian ...	201,256	199,645	268,266	256,422	231,397	981,358	1,472,703
Japanese ...	346,072	348,031	319,626	343,732	339,365	986,283	871,529
Norwegian	46,109	59,812	91,357	93,313	72,648	335,597	367,418
Swedish ...	78,826	96,783	138,058	122,957	109,156	275,264	270,197
U.S.A. ...	3,145	1,690	1,690	4,156	2,670	349,224	485,083
Other ...	1,096,060	1,116,875	1,295,542	1,352,030	1,215,127	211,380	320,111
Total ...	16,310,955	18,019,451	19,894,028	19,732,739	18,489,293	21,302,406	23,828,654

Percentage of Total.

	%	%	%	%	%	%	%
British ...	62·9	64·0	63·4	60·1	62·6	61·9	59·0
Danish ...	0·6	0·6	0·7	0·9	0·7	1·4	1·4
Dutch ...	5·2	5·4	6·2	6·5	5·9	10·2	10·4
French ...	5·1	4·5	4·0	4·7	4·5	6·0	6·3
German ...	15·4	15·4	15·0	16·8	15·7	5·7	6·9
Italian ...	1·2	1·1	1·4	1·3	1·2	4·6	6·2
Japanese ...	2·1	1·9	1·6	1·7	1·8	4·6	3·7
Norwegian	0·3	0·3	0·5	0·5	0·4	1·6	1·5
Swedish ...	0·5	0·6	0·7	0.6	0·6	1·3	1·1
U.S.A. ...	0·0	0·0	0·0	0·0	0·0	1·4	2·0
Other ...	6·7	6·2	6·5	6·9	6·6	1·0	1·5
	100·0	100·0	100·0	100·0	100·0	100·0	100·0

(B) *Panama Canal.* (" *Commercial Vessels.*")

[Years ended 30th June.]

	Tonnage.			Percentage of Total excluding U.S.A.		
	1920.	1923.	1924.	1920.	1923.	1924.
	(Panama Canal Tons Net.)					
British	2,760,188	4,892,338	6,097,611	58·1	58·3	58·9
Chilean	212,000	201,411	176,472	4·5	2·4	1·7
Danish	32,221	240,053	245,929	0·7	2·8	2·4
Dutch	152,535	510,970	551,761	3·2	6·1	5·3
French	114,664	252,333	386,640	2·4	3·0	3·7
German	52,755	336,149	660,156	1·1	4·0	6·4
Italian	98,692	117,782	164,448	2·1	1·4	1·6
Japanese	515,243	753,219	815,468	10·8	9·0	7·9
Norwegian	397,632	597,359	546,633	8·4	7·1	5·3
Peruvian	191,689	216,829	189,046	4·0	2·6	1·8
Spanish	106,651	41,201	172,572	2·2	0·5	1·7
Swedish	76,825	130,361	161,993	1·6	1·5	1·6
Other Nations excluding U.S.A. ...	43,861	107,245	173,251	0·9	1·3	1·7
Total, excluding U.S.A. ...	4,754,956	8,397,250	10,341,980	100·0	100·0	100·0
				(Percentage of total)		
U.S.A.	3,791,988	10,208,536	15,806,899	44·4	54·9	60·4
Total	8,546,044	18,605,786	26,148,879			

TABLE 11.

COMPARISON OF PRE-WAR AND POST-WAR EXPORT TRADE OF U.S.A., BELGIUM, FRANCE AND GERMANY.

(Comparison between 1913 and 1923 on the basis of 1913 prices.)

	1913.	1923.		Percentage Col. (3) to Col. (1).
	Values as recorded.	Values as recorded.	Values at 1913 prices	
	(1)	(2)	(3)	(4)
United States.	(Millions of dollars.)			
Total exports	2,448·6	4,091·3	2,924·3	119·4
Exports of manufactures only...	1,052·4	1,850·7	1,559·3	148·2
Belgium (*see* Note A).	(Millions of francs.)			
Total exports	3,634·6	8,856·5	2,285·7	62·9
Exports of manufactures only...	1,800·9	6,308·9	1,621·5	90·0
France (*see* Note B).	(Millions of francs.)			
Total exports	6,880·2	30,431·5	7,299·3	106·1
Exports of manufactures only...	4,161·9	19,703·4	4,886·1	117·4
Germany (*see* Note C).	(Millions of gold marks.)			
Total exports	10,095	6,064	5,335	52·9
Exports of manufactures only...	6,778	5,200	4,519	66·7

Notes.

(A) *Belgium.*—For 1923 the particulars relate to the economic Union of Belgium and Luxemburg, whereas those for 1913 relate to Belgium only.

(B) *France.*—For 1923 the particulars relate to the enlarged territory, including Alsace and Lorraine. It is, however, difficult to determine whether the inclusion of Alsace and Lorraine within the French Customs border would in itself have a tendency to increase or to decrease French recorded exports.

(C) *Germany.*—For 1923 the particulars relate to the post-war diminished territory.

(D) *Note on the method of obtaining the figures.*—In the case of Germany, no revaluation has had to be made. In the other three cases, the 1923 figures have been revalued on approximately the same lines as are followed in the corresponding work done on the U.K. returns, *i.e.*, where quantity particulars are available, the different headings shown in the accounts for 1923 have been revalued at the average valuation shown for the same headings in the accounts for 1913. The methods adopted to deal with cases in which quantity particulars are not available have been as nearly as possible similar to those adopted in the revaluations of United Kingdom trade. In view of the fact that the absence of exhaustive particulars has rendered it necessary to have recourse to estimates for a proportion of the goods, the results cannot be regarded as of a high degree of precision, but they probably approximate to the facts much more closely than would be possible by the use of any other mode of calculation.

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